

HR 2930

Entrepreneur Access to Capital Act

Congress: 112 (2011–2013, Ended)

Chamber: House

Policy Area: Finance and Financial Sector

Introduced: Sep 14, 2011

Current Status: Committee on Banking, Housing, and Urban Affairs. Hearings held. Hearings printed: S.Hrg. 112-444.

Latest Action: Committee on Banking, Housing, and Urban Affairs. Hearings held. Hearings printed: S.Hrg. 112-444. (Dec 1, 2011)

Official Text: <https://www.congress.gov/bill/112th-congress/house-bill/2930>

Sponsor

Name: Rep. McHenry, Patrick T. [R-NC-10]

Party: Republican • **State:** NC • **Chamber:** House

Cosponsors (5 total)

Cosponsor	Party / State	Role	Date Joined
Rep. Schweikert, David [R-AZ-5]	R · AZ		Oct 4, 2011
Rep. Dold, Robert J. [R-IL-10]	R · IL		Oct 11, 2011
Rep. Duffy, Sean P. [R-WI-7]	R · WI		Oct 11, 2011
Rep. Brady, Kevin [R-TX-8]	R · TX		Oct 25, 2011
Rep. Schmidt, Jean [R-OH-2]	R · OH		Oct 25, 2011

Committee Activity

Committee	Chamber	Activity	Date
Banking, Housing, and Urban Affairs Committee	Senate	Hearings By (full committee)	Dec 1, 2011
Financial Services Committee	House	Reported by	Oct 5, 2011

Subjects & Policy Tags

Policy Area:

Finance and Financial Sector

Related Bills

Bill	Relationship	Last Action
112 S 1791	Related bill	Dec 1, 2011: Committee on Banking, Housing, and Urban Affairs. Hearings held. Hearings printed: S.Hrg. 112-444.
112 HRES 453	Related bill	Nov 3, 2011: Motion to reconsider laid on the table Agreed to without objection.

Entrepreneur Access to Capital Act - (Sec. 2) Amends the Securities Act of 1933 to exempt from its registration requirements and prohibitions any transactions involving the offer or sale of (crowdfunded) securities by an issuer if the aggregate amount sold within the previous 12-month period in reliance upon the exemption is: (1) \$1 million, adjusted for inflation, or less; or (2) \$2 million, adjusted for inflation, or less if the issuer provides potential investors with audited financial statements. Requires the aggregate amount sold to any investor in reliance on this exemption within the previous 12-month period, in either case, not to exceed the lesser of \$10,000, adjusted for inflation, or 10% of the investor's annual income.

(Crowdfunding is a method of capital formation where groups of people pool money, typically composed of very small individual contributions, and often via internet platforms, to invest in a company or otherwise support an effort by others to accomplish a specific goal.)

Requires an intermediary between the issuer and the investor, if there is one, and an issuer, if there is no intermediary, to meet specified requirements.

Requires both intermediaries and issuers (if there is no intermediary) with respect to such exempted transactions to: (1) warn investors of the speculative nature generally applicable to investments in startups, emerging businesses, and small issuers; (2) warn investors that there are restrictions on the re-sale of the securities; (3) take reasonable measures to reduce the risk of fraud with respect to the transaction; (4) provide the Securities and Exchange Commission (SEC) with information about the intermediary or about the issuer and the offering, as the case may be; (5) provide the SEC with continuous investor-level access to the intermediary's or the issuer's website; (6) require each investor to answer questions demonstrating a basic understanding of the nature of the securities offered, including the risk of illiquidity; (7) outsource cash-management functions to a qualified third party custodian; (8) maintain books and records the SEC deems appropriate; (9) allow for communication between the issuer and investors via the intermediary's or the issuer's website; (10) not offer investment advice; and (11) notify the SEC upon completion of the offering.

Requires the issuer (and requires an intermediary to require the issuer) to state a target offering amount as well as a deadline to reach it, and ensure that the third party custodian withholds offering proceeds until the aggregate capital raised from investors other than the issuer is no less than 60 % of the target offering amount.

Requires an intermediary, in addition, to: (1) carry out background checks on the issuer's principals, and (2) provide the SEC and potential investors with information about the issuer and the offering.

Requires an issuer to disclose its interest in the issuance to investors.

Authorizes an issuer or intermediary to rely upon certifications as to annual income provided by the person to whom the securities are sold to verify the investor's income.

Directs the SEC to make available to the states information it receives about the intermediary, issuer, and offering.

Restricts investor sales of certain securities during the one-year period beginning on the date of purchase, unless such securities are sold to either the issuer of the securities or to an accredited investor.

Declares that an intermediary shall not be treated as a broker under the securities laws solely by reason of participation in a crowdfunded transaction.

States that this Act does not preclude an issuer from raising capital through other means.

Directs the SEC to establish disqualification criteria that render either an issuer or intermediary ineligible to utilize a specified exemption under the Securities Act of 1933 based upon the disciplinary history of the issuer or its predecessors, affiliates, officers, directors, or persons fulfilling similar roles. Requires such criteria to be substantially similar to rules adopted for disqualifying felons from Regulation D offerings in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act.

(Sec. 3) Amends the Securities Exchange Act of 1934 to exclude securities held by persons who purchase them in crowdfunded transactions under this Act from application of the 500-to-750 shareholder "held of record" criterion for a class of equity security subject to mandatory registration.

(Sec. 4) Amends the Securities Act of 1933 to exempt such crowdfunded securities from state regulation of securities offerings; but retains state jurisdiction over fraud, deceit, or the unlawful conduct of intermediaries, issuers, and custodians.

Actions Timeline

- **Dec 1, 2011:** Committee on Banking, Housing, and Urban Affairs. Hearings held. Hearings printed: S.Hrg. 112-444.
- **Nov 8, 2011:** Read the second time. Placed on Senate Legislative Calendar under General Orders. Calendar No. 224.
- **Nov 7, 2011:** Received in the Senate. Read the first time. Placed on Senate Legislative Calendar under Read the First Time.
- **Nov 3, 2011:** Considered under the provisions of rule H. Res. 453. (consideration: CR H7295-7308, H7308-7311)
- **Nov 3, 2011:** Previous question shall be considered as ordered without intervening motions except motion to recommit with or without instructions. The resolution provides that the amendments in the nature of a substitute recommended by the Committee on Financial Services now printed in each of the bills are considered adopted. The bills, as amended, are considered read. Specified amendments are in order.
- **Nov 3, 2011:** House resolved itself into the Committee of the Whole House on the state of the Union pursuant to H. Res. 453 and Rule XVIII.
- **Nov 3, 2011:** The Speaker designated the Honorable Charles F. Bass to act as Chairman of the Committee.
- **Nov 3, 2011:** GENERAL DEBATE - The Committee of the Whole proceeded with one hour of general debate on H.R. 2930.
- **Nov 3, 2011:** DEBATE - Pursuant to the provisions of H.Res. 453, the Committee of the Whole proceeded with 10 minutes of debate on the McHenry amendment.
- **Nov 3, 2011:** DEBATE - Pursuant to the provisions of H.Res. 453, the Committee of the Whole proceeded with 10 minutes of debate on the Fincher amendment.
- **Nov 3, 2011:** DEBATE - Pursuant to the provisions of H.Res. 453, the Committee of the Whole proceeded with 10 minutes of debate on the Quayle amendment.
- **Nov 3, 2011:** DEBATE - Pursuant to the provisions of H.Res. 453, the Committee of the Whole proceeded with 10 minutes of debate on the Velazquez amendment.
- **Nov 3, 2011:** POSTPONED PROCEEDINGS - At the conclusion of debate on the Velazquez amendment, the Chair put the question on adoption of the amendment and by voice vote, announced that the noes had prevailed. Ms. Velazquez demanded a recorded vote and the Chair postponed further proceedings on the question of adoption of the amendment until a time to be announced.
- **Nov 3, 2011:** DEBATE - Pursuant to the provisions of H.Res. 453, the Committee of the Whole proceeded with 10 minutes of debate on the Barrow amendment.
- **Nov 3, 2011:** DEBATE - Pursuant to the provisions of H.Res. 453, the Committee of the Whole proceeded with 10 minutes of debate on the Perlmutter amendment.
- **Nov 3, 2011:** The Committee rose informally to receive a message.
- **Nov 3, 2011:** The Committee resumed its sitting.
- **Nov 3, 2011:** UNFINISHED BUSINESS - The Chair announced that the unfinished business was on the question of adoption of amendments which had been debated earlier and on which further proceedings had been postponed.
- **Nov 3, 2011:** The House rose from the Committee of the Whole House on the state of the Union to report H.R. 2930.
- **Nov 3, 2011:** The previous question was ordered pursuant to the rule. (consideration: CR H7309)
- **Nov 3, 2011:** The House adopted the amendment in the nature of a substitute as agreed to by the Committee of the Whole House on the state of the Union. (text: CR H7300-7301)
- **Nov 3, 2011:** Mr. Holt moved to recommit with instructions to Financial Services. (consideration: CR H7309; text: CR H7309)
- **Nov 3, 2011:** DEBATE - The House proceeded with 10 minutes of debate on the Holt motion to recommit with instructions. The instructions contained in the motion seek to require the bill to be reported back to the House with an amendment to add language that prohibits an intermediary from participating in a crowdfunding transaction if they are doing business with the Iranian government.
- **Nov 3, 2011:** The previous question on the motion to recommit with instructions was ordered without objection. (consideration: CR H7310-7311)
- **Nov 3, 2011:** On motion to recommit with instructions Failed by recorded vote: 187 - 237 (Roll no. 824). (consideration: CR H7310-7311)
- **Nov 3, 2011:** Passed/agreed to in House: On passage Passed by recorded vote: 407 - 17 (Roll no. 825).
- **Nov 3, 2011:** On passage Passed by recorded vote: 407 - 17 (Roll no. 825).
- **Nov 3, 2011:** Motion to reconsider laid on the table Agreed to without objection.
- **Nov 2, 2011:** Rules Committee Resolution H. Res. 453 Reported to House. Previous question shall be considered as

ordered without intervening motions except motion to recommit with or without instructions. The resolution provides that the amendments in the nature of a substitute recommended by the Committee on Financial Services now printed in each of the bills are considered adopted. The bills, as amended, are considered read. Specified amendments are in order.

- **Oct 31, 2011:** Reported (Amended) by the Committee on Financial Services. H. Rept. 112-262.
- **Oct 31, 2011:** Placed on the Union Calendar, Calendar No. 175.
- **Oct 26, 2011:** Committee Consideration and Mark-up Session Held.
- **Oct 26, 2011:** Ordered to be Reported (Amended) by Voice Vote.
- **Oct 5, 2011:** Subcommittee Consideration and Mark-up Session Held.
- **Oct 5, 2011:** Forwarded by Subcommittee to Full Committee by the Yeas and Nays: 18 - 14 .
- **Oct 4, 2011:** Referred to the Subcommittee on Capital Markets and Government Sponsored Enterprises.
- **Sep 21, 2011:** Hearings Held by the Subcommittee on Capital Markets and Government Sponsored Enterprises Prior to Referral.
- **Sep 14, 2011:** Introduced in House
- **Sep 14, 2011:** Referred to the House Committee on Financial Services.