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[H.R. 2064, Improving Access to Capital for Emerging Growth Companies Act](#)

FLOOR SITUATION

On Tuesday, July 14, 2015, the House will consider [H.R. 2064](#), *the Improving Access to Capital for Emerging Growth Companies Act*, under suspension of the rules. The bill was introduced on April 28, 2015, by Rep. Stephen Fincher (R-TN) and was referred to the Committee on Financial Services, which ordered the bill reported on May 20, 2015, by a vote of 57 to 0.

SUMMARY

H.R. 2064 amends Title I of the Jumpstart Our Business Startup (JOBS) Act to further reduce regulatory burdens for emerging growth companies (EGCs), in an attempt to create a more conducive environment for these companies to grow. H.R. 2064 would reduce the number of days an EGC must have a confidential registration statement on file with the Securities and Exchange Commission (SEC) before it may conduct a “road show”¹ from 21 days to 15.

H.R. 2064 also provides for a grace period for companies that were formerly classified as an EGC, to continue to be treated as an EGC until the date of its initial public offering (IPO). The bill also requires the SEC to revise certain forms relating to EGC IPO disclosure requirements.

BACKGROUND

In 2012, the JOBS Act was enacted, in part, with the intent of encouraging investments in IPOs of new and smaller companies. Among other things, Title I of the JOBS Act established a category of issuer known as an emerging growth company (EGC), and relaxed various disclosure and accounting requirements for such issuers, including relaxing statutory restrictions on launching IPOs.²

¹ A “road show” is generally defined as a series of presentations given by a company to potential investors, designed to generate excitement and interest in a company’s initial public offering (IPO).

² See CRS report, [“U.S. Initial Public Stock Offerings and the JOBS Act.”](#) September 27, 2012, at 2.

Certain companies can opt to be defined as an EGC, and then enjoy certain regulatory exemptions as a result of that status, until the earliest time it meets any one of the following conditions:³

- (1) it reports \$1 billion or more in annual gross revenues, which is indexed to inflation;
- (2) it becomes a "large accelerated filer," which SEC regulations define, among other factors, as a company with a global market float of \$700 million or more;
- (3) the company reaches the fifth anniversary of its IPO's offering date; or
- (4) the date on which the company has, within the previous three years, issued more than \$1 billion in non-convertible debt.

The JOBS Act allowed EGCs to file draft IPO registration statements and subsequent registration statements on a confidential basis to the SEC for agency review, if the filing is done at least 21 days prior to the beginning of its IPO "road show."⁴ A "road show" is generally defined as a series of presentations given by a company to potential investors, designed to generate excitement and interest in a company's IPO.⁵

This confidentiality provision is designed to enable EGCs the ability to test IPO market conditions without divulging potentially sensitive information about the company. Under the JOBS Act, EGCs can meet with institutions who are accredited investors and qualified institutional buyers to preliminarily ascertain potential investor interest in an IPO prior to an offering while avoiding current restrictions on pre-offering communications. H.R. 2064 reduces the number of days EGCs must file with the SEC in advance of conducting a road show from 21 days to 15 days.⁶

According to the bill sponsor, "with this bill, further improvements to the IPO on-ramp will allow small emerging growth companies to continue expanding, leading to more, quality American jobs."⁷

H.R. 2064 is similar to [H.R. 3623](#), which was ordered reported by the Committee on Financial Services on March 14, 2014, by a vote of 56 to 0.

COST

The Congressional Budget Office (CBO) [estimates](#) that the net budgetary effect of enacting H.R. 2064 would be negligible, assuming appropriation actions consistent with the agency's authority. Enacting H.R. 2064 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

STAFF CONTACT

For questions or further information please contact [John Huston](#) with the House Republican Policy Committee by email or at 6-5539.

³ Id. at 6.

⁴ Id. at 8.

⁵ <http://investmentbankinginsight.com/investment-banking-terminology-what-is-a-roadshow/>

⁶ Id.

⁷ See press release, ["Reps Fincher, Delaney Introduce Bipartisan IPO 2.0 Bill to Help Accelerate American Job Growth."](#) November 22, 2013.