



March 5th, 2024

The Honorable Mike Johnson
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Hakeem Jeffries
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Re: H.R. 2799, the Expanding Access to Capital Act of 2023

Dear Speaker Johnson and Leader Jeffries:

The Small Business Investor Alliance (“SBIA”) supports H.R. 2799, the Expanding Access to Capital Act of 2023, which would expand capital access for small business and small investment funds and create greater opportunities and growth potential for investors.

SBIA is a national association that develops, supports, and advocates on behalf of policies that benefit investment funds that provide growth capital to small and mid-size businesses in the lower middle market, as well as the institutional investors that provide capital to these funds. Our membership consists of the advisers of traditional 3(c)(1) and 3(c)(7) private funds, small business investment companies (“SBICs”), rural business investment companies (“RBICs”), funds registered as business development companies (“BDCs”) under the Investment Company Act of 1940, and the investors that invest in these funds including banks, family offices, and fund of funds.

SBIA is especially supportive of Section 2202 of the legislation, which contains the Small Business Investor Capital Access Act. SBIA commends Rep. Barr for introducing this legislation to tailor compliance burdens for small private funds. In 2010, Congress replaced the longstanding private fund exemption from Securities and Exchange Commission (SEC) registration requirements with a set of narrower exemption criteria. Amongst these criteria, advisers to private funds with less than \$150 million in assets under management (AUM) are exempt from full registration requirements.

However, this \$150 million AUM threshold was too low when it was written in 2010 and it has never been raised nor even indexed for inflation since, notwithstanding the growth of the economy and evolution of the private capital markets since 2010. Members of Congress have previously recognized – on a bipartisan basis – that reporting requirements can place a disproportionate burden upon smaller funds. Sec. 2202 would adjust the \$150 million threshold

for inflation since 2010 and annually thereafter. This would ensure that SEC regulation and the universe of registered private fund advisers keeps pace with the growth of the U.S. economy.

SBIA also commends the inclusion of bills that would expand the criteria to determine when an individual is an “accredited investor” under SEC regulation. Individuals would be permitted to invest a certain amount of their net worth in nontraditional investments, and individuals who receive personalized advice from a financial professional would be allowed to do the same. Given that the current asset/net income thresholds can be underinclusive and have a discriminatory effect in practice, SBIA welcomes inclusion of these provisions which would expand the pool of capital available to businesses and ultimately help address wealth inequalities across the country.

Additionally, SBIA supports of many other provisions included in the Expanding Access to Capital Act, including those that would tailor compliance and financial reporting obligations for small public companies and help connect entrepreneurs with potential investors. Regulatory costs fall disproportionately on small and middle market businesses that do not have the same amount of compliance resources as their larger counterparts. Certain legal and financial reporting mandates are more appropriate and necessary for large businesses and, if not tailored, can create barriers for entry and stifle the growth trajectory of small businesses.

We urge the House to pass H.R. 2799 as expeditiously as possible and look forward to working with all members on these critical issues.

Sincerely,

A handwritten signature in blue ink that reads "Brett Palmer". The signature is written in a cursive style with a small "es" at the end.

Brett Palmer
President
Small Business Investor Alliance