



June 18, 2015

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The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Re: HR 1839 (RAISE Act) - Support

Dear Chairman Hensarling and Ranking Member Waters:

Engine would like to express its support for HR 1839, the Reforming Access for Investments in Startup Enterprises Act of 2015 (“RAISE Act of 2015”) sponsored by Rep. Patrick McHenry. As representatives of high-growth startups—our economy’s principal job creators—we strongly endorse any measure that encourages capital formation and expands capital access for our nation’s most innovative companies and their employees.

Liquidity is an especially important issue among the many financing challenges facing startups today. In recent years, due to new regulatory policies and structural market changes, these emerging companies have tended to remain private for longer than in years past, which increases risk for early-stage investors and company employees who must hold on to illiquid securities for longer. This illiquidity can discourage potential investors, who may be reluctant to have capital tied up in a high-risk asset class for an extended period of time. And, because cash-strapped startups often rely on stock options as the principal means to attract top talent, illiquidity can make it harder to find quality employees, who may not have the accumulated savings to withstand having limited access to these funds. Failing to provide liquidity in private securities can thus discourage both the capital and talent necessary to build the startups that are responsible for our nation’s economic growth.

HR 1839 adds greater certainty to the practice of reselling private securities to accredited investors by codifying an existing activity that has proven beneficial for the growth of the startup sector. A clear, statutorily-defined legal framework will enable new businesses, their employees, and their legal staff to more securely and effectively navigate this important transaction.

Engine appreciates your efforts in ensuring our country’s startups have the legal and regulatory tools they need to continue contributing to our economy.

Sincerely,

Evan Engstrom
Policy Director