

# Relieving Registration Burdens on Small Rural Broadband Providers

The Securities Exchange Act of 1934 (the Exchange Act) requires most companies that have 500 or more non-accredited investors and \$10 million or more in total assets to register with the Securities and Exchange Commission (SEC). In addition, the rules and enforcement policies outlined in the Sarbanes-Oxley Act amended or supplemented existing laws dealing with securities regulation, including the Exchange Act. These regulations were intended to address financial misdeeds by large corporations, but an unintended consequence has been to divert limited resources from small broadband providers attempting to connect rural Americans to the internet.

In 2012, the Jumpstart Our Business Startups (JOBS) Act amended the Exchange Act registration requirements. Specifically, the shareholder threshold for SEC registration was increased to either 2,000 or more accredited persons, or 500 or more persons who are not accredited investors. Accredited investors are defined as shareholders that meet certain higher income levels or higher net worth.

## Underlying Issues

- Although the JOBS Act sought to ease SEC reporting requirements, the registration thresholds still pose substantial challenges for small rural broadband providers who could face more expensive audits and SEC reporting requirements in the event of certain triggers like mergers and acquisitions or gifting and splitting of shares among families and other members of rural communities.
- Given that shareholders of many rural small businesses are community members and customers, effectively any rural small business with 500 or more community-based shareholders must register.
- For small rural broadband providers, the burdens of potential registration arising out of community ownership come atop already significant challenges in the form of telecommunications regulatory requirements and the cost-intensive business of deploying and operating advanced networks in high-cost rural areas to deliver essential broadband connectivity in the most sparsely populated areas of the country.

## THE SOLUTION

Level the playing field by amending Section 12(g)(1)(A) of the Exchange Act to grant small rural community-based communications providers regulatory relief by reintroducing the "ACCESS Rural America Act" led by Sens. Baldwin and Ernst (S.3242) and Reps. Tiffany and Sorensen (H.R. 4360) in the 118th Congress.