



October 28, 2013

Securities and Exchange Commission
Attn: Elizabeth Murphy, Secretary
100 F Street, NE
Washington, DC 20549-0609

Dear Ms. Murphy:

We, the undersigned angel investor group leaders, as members of the Angel Capital Association, write to you with significant concerns regarding the implementation of Rule 506 relating to general solicitation and the proposed rules to expand the scope of Regulation D and Form D.

We each represent angel investor groups that provide vital early stage capital to job-creating startups in the Southeast, and we believe that the rules as implemented and proposed will have a significant and detrimental effect on capital formation for entrepreneurs - and therefore ultimately on our nation's economic health and growth. We are especially concerned that these rules will disproportionately impact the Southeast region where traditional sources of venture capital have been especially scarce.

We briefly outline our specific concerns as follows:

- Under the new 506(c) general solicitation rules, the onus on entrepreneurs to verify the accredited status of investors is burdensome and unworkable. Investors will not be willing to share their financial information with entrepreneurs, and third-party verification will be avoided due to costs and potential liabilities for the third parties.
- Without guidance from the SEC on what defines general solicitation, many entrepreneurs may unwittingly fall under 506(c) in the normal course of their entrepreneurial activities and events, and therefore become subject to the onerous one-year penalty box, which is tantamount to a death blow for startups.

- The proposed rules related to the Form D filings are also impractical and unworkable. Unlike traditional private equity deals in which companies are more mature and information is relatively stable over days and weeks, entrepreneurs operate in a dynamic environment that changes by the day and the hour. Therefore, requiring entrepreneurs to provide 15 day advance filings of Form D and at least same day filing of general solicitation materials is tremendously burdensome and impractical.

The cumulative result of these unnecessary regulatory burdens is likely to be directly counterproductive to the intent of the JOBS Act which was the impetus for these changes. Rather than increasing access to capital for entrepreneurs who create new jobs and industries, the unintended consequence of these rules will be to severely dampen capital formation activities and reduce capital flows to startups.

In light of these problems with the new and proposed rules, we respectfully request the Commission make the following changes:

- Provide better guidance on what constitutes general solicitation, particularly with regard to standard entrepreneurial practices such as “pitch events.”
- Reinstate self-accreditation as an acceptable verification of accredited investor status. If the Commission is unwilling to do so, we ask that the following safe harbor be added:
 - o If an issuer verifies that a purchaser is a member of an established angel group or is otherwise actively engaged in the startup community and also provides written representation that he or she is an accredited investor, the issuer will have met the verification requirement of Rule 506(c).
- Rescind and reconsider the proposed rules regarding changes to the timing and information requirements of Form D and Regulation D. We are particularly concerned about the burden placed upon entrepreneurs by the requirements to file a Form D 15 days in advance and to file all general solicitation materials prior to use - as well as the one-year ban for (likely accidental) non-compliance.

We would welcome further discussion about our concerns and potential solutions regarding this very important matter. Please contact any of the angel group leaders listed below with any questions. Thank you for your consideration of our request.

Sincerely,

The 21 Southeast-based angel investor groups listed below

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