

## DRAFT LETTER FOR CONGRESS

The Honorable Jay Clayton, Chairman  
US Securities and Exchange Commission  
100 F Street NE  
Washington, D.C. 20549-1090

Re: Accredited Investor Definition

Dear Chairman Clayton:

I understand that the Commission may review the accredited investor definition, as required under the Dodd-Frank Act. I am asking the Commission to retain the financial thresholds of \$1 million in net worth or \$200,000 income that are currently in the definition.

Congress acted purposefully to strip the Dodd-Frank Act of a provision to increase these thresholds to track inflation. As the record reflects, Congressional action was designed to “save angel investing.” With Angel investors providing upwards of 90 percent of all outside equity capital to innovative, high-growth startups that are responsible for most of the jobs created in our economy. If the net worth threshold is raised to \$2.5 million, as advocated by some, the loss of capital support for “seed-stage” companies would be devastating. A contraction in angel investing could stall local economic development, university technology innovation initiatives, and stem innovation and job growth. At the same time, millions of Americans would instantly lose the opportunity to participate in the innovation economy that is largely the purview of companies raising funds privately from accredited investors.

The Commission was tasked under Dodd-Frank with periodic review of the definition “for the protection of investors, in the public interest, and in light of the economy.” With respect to investments by angels in startups, all three aims are perfectly aligned. Angel investment in startups is almost completely free from fraud -- largely a result of concerted due diligence, negotiated terms, and ongoing entrepreneur support that is the hallmark of angel investing. The public interest is well served, on every Main Street in the United States where local angels invest in their own communities. And the single most important issue in our economy is job creation. Nobody creates more net new jobs than the small companies that angels, and angels alone, fund at their earliest stages.

I applaud the Commission’s stated approach of considering alternative criteria to satisfy the accredited investor definition based on sophistication with regard to investing in private offerings. The Commission’s focus is well-placed on not further restricting who may be eligible, but on how expansion of the pool of angel investors might be prudently accelerated. Both the public interest and the health of our economy would be well served by the addition of such qualitative criteria to determine accredited investor status, as wealth itself may not be a meaningful proxy for investor sophistication.

The exempt market is far too large and vital to the economy to unfairly exclude all but the most ultra-wealthy from participating in America’s innovation economy. By doubling the wealth and income levels required for accreditation, more than half of the 350,000 active angels in the United States would be excluded from making angel investments as accredited investors. This would have a devastating impact on the \$25 billion of angel investments, and more than 70,000 companies started each year. Congress acted to protect the existing angel investors, and the opportunity they have to make seed investments. The accredited investor definition itself has proven that – as the number of qualifying households has grown and more individuals become accredited angel investors - the incidence of fraud remains minimal.

With these factors in mind, I ask the Commission to maintain the current financial thresholds, while identifying additional criteria that would prudently expand this investor sector to serve the public interest and help build the innovation economy essential to the nation’s success.

I look forward to your response.

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Sincerely,