



ANGEL CAPITAL ASSOCIATION

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Angel Capital Association Supports Amendments to Financial Reform Bill

Sen. Dodd's amendments allow for efficient capital access for entrepreneurs and also improve fraud protection for investors

KANSAS CITY, MO, April 21, 2010 – The Angel Capital Association (ACA) supports two amendments that we understand will be offered by Sen. Christopher Dodd on the Restoring American Financial Stability Act of 2010. These amendments will ensure that high growth entrepreneurs have access to a strong pool of angel capital and that investors are better protected from fraud.

ACA has been vocal in our concerns about this bill to date as two of the original sections had the potential of significantly reducing the number of accredited angel investors and creating complicated and potentially expensive regulations for entrepreneurs raising angel financing. "It is clear that concerns conveyed by ACA and many others about hurting start-up businesses struck a chord with Sen. Dodd and his staff," said Elizabeth Karter, ACA's public policy committee chair and president of the Angel Investor Forum in Connecticut. "They have worked hard to improve the bill so that it balances the importance of small business capital formation while protecting angels and other types of private investors from securities law violators."

The amendments bring new meanings to two sections of the bill:

Section 412: Adjusting the Accredited Investor Standard.

The thresholds for "accredited investor" would stay the same as they are currently, although the standard for net worth of \$1 million would now exclude the investor's primary residence. While ACA would have preferred no adjustment to the standard for angel investors, we believe this is a good compromise.

The act would also have the Securities and Exchange Commission review the thresholds at least every four years, with any adjustments considering the protection of investors, the public interest and the state of the economy. "We appreciate the direction to consider the economic impact of any adjustments to accredited investor standards in the future, as we believe that innovative start-up businesses are some of the most important creators of high quality jobs in the country," said Karter.

Section 926. Regulation D Offerings.

The amendment deletes all previous language and disqualifies individuals who have been determined to be "bad actors" by Federal and State authorities from using Regulation D 506 private offerings (which include angel investments, but many other types of investments as well).

"ACA particularly likes this amendment because not only does it increase investor protections, but it ensures uniform regulation of these private offerings across the United States and it keeps the reporting requirements for entrepreneurs the same as they are currently. The current uniform system is efficient for small businesses that attract angel capital," said Marianne Hudson, executive director of ACA.

The **Angel Capital Association** is the trade association of leading angel investment groups in North America. The mission of ACA is to support the growth, financial stability, and investments success of its member groups. ACA's mission is accomplished by providing professional development, best practices, networking and collaboration opportunities for angel investors who belong to member angel groups. Today 150 angel groups are members of ACA, and those groups represent over 6,500 accredited angel investors. More information is available at www.angelcapitalassociation.org.