

## Protect Angel Funding & Jobs



- SEC reviewing Accredited Investor definition this year
  - Investor Protection
  - Public Interest
  - Current Economy
- Some organizations advocate increase for inflation
  - \$2.5M net worth, versus \$1M currently
  - \$400K income (\$600K if married), versus \$200K/\$300K currently
  - Supported by state regulators, AARP, etc.
- Increase would eliminate 60% of all accredited investors
  - **Major impact on startup economy**

**Fewer Angels = Fewer Startups = Fewer Jobs**



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## Impact on Startups & Angels



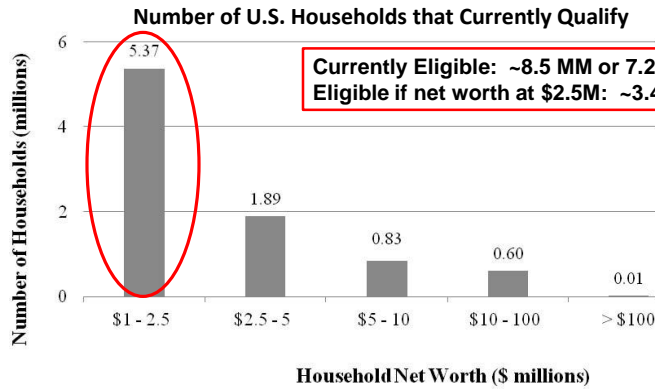
- Angels invested \$24.8B in ~71,000 deals in 2013
  - All 50 states – Main Street, not Wall Street
- Angels provide ~90% of outside equity to startups
  - Virtually only source of seed funding
  - 90% of venture capital is for later stage growth
- Majority of net new jobs in US are from companies < 5 years old – US Census
- Very little fraud in angel investing
  - Due diligence
  - Negotiated terms and information rights

**Fewer Angels = Fewer Startups = Fewer Jobs**



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# Accredited Investor Definition & Net Worth



**~60% of Accredited Investors Would Be Eliminated at \$2.5MM Net Worth**

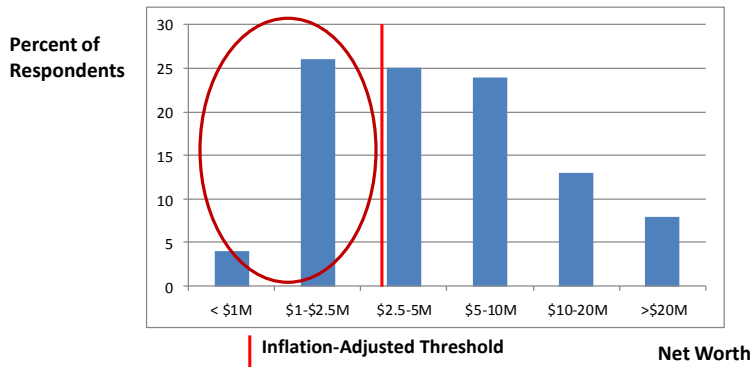
Source: SEC and General Accounting Office – Based on 2010 Net Worth



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# ACA Members Average Higher Net Worth, But Still Affected

**Percent of Surveyed ACA Members Who Qualify as Accredited Investors Based on 2013 Net Worth**



\* Some could still qualify based on income

Source: ACA Survey, December 2013-January 2014 – 1009 members



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## 28% of ACA Members Don't Meet Higher Thresholds



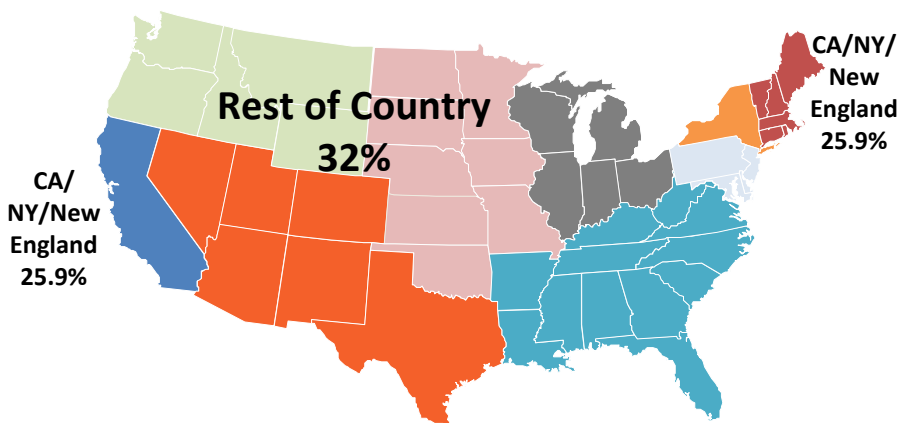
Source: ACA Survey, December 2013-January 2014 – 1009 members



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## Impact is Higher Outside Top Venture Areas

### Percentage of ACA Members Who Would Not Qualify, by Region



Source: ACA Survey, December 2013-January 2014 – 1009 members



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## ACA Recommendations to SEC

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- Maintain current financial thresholds
  - \$1 million net worth and \$200K/\$300K income
- Let individuals certify using detailed questionnaire
  - Qualifying questionnaire should satisfy “issuer verification” requirement for Rule 506(c) (general solicitation) deals
- Add sophistication criteria, without financial limit
  - Previous investment in Reg D deal
  - Member of an Established Angel Group
  - Board, executive, financial responsibility for business
  - Relevant degree or certification: MBA, CPA, etc.
  - Certificate of education from ACA or similar



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## What ACA Needs You to Do

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- **Write to SEC and Congress**
  - Let them know startup funding is critical to jobs, innovation and your community
  - Template letters and instructions for submitting; ACA Comment letter: [www.angelcapitalassociation.org/aca-public-policy-protect-angel-funding/](http://www.angelcapitalassociation.org/aca-public-policy-protect-angel-funding/)
  - All Accredited Definition comment letters are posted at: [www.sec.gov/comments/s7-06-13/s70613.shtml](http://www.sec.gov/comments/s7-06-13/s70613.shtml)
- Engage your startup community
- Your voice is important! Please let it be heard!



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