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**

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**
**Accredited Investor Definition & Net Worth**

Currently Eligible: ~8.5 MM or 7.2%
Eligible if net worth at $2.5M: ~3.4 MM or 2.8%

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

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

**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

28% of ACA Members Don’t Meet Higher Thresholds

Impact is Higher Outside Top Venture Areas
Percentage of ACA Members Who Would Not Qualify, by Region

ACA Recommendations to SEC

• 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

What ACA Needs You to Do

• 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/
  • All Accredited Definition comment letters are posted at: www.sec.gov/comments/s7-06-13/s70613.shtml
• Engage your startup community
• Your voice is important! Please let it be heard!