



ANGEL CAPITAL ASSOCIATION

April 24, 2015

The Honorable Kara Stein, Commissioner
US Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Dear Commissioner Stein:

On behalf of the Angel Capital Association, our members throughout the country, and the startup companies we support, I want to thank you for meeting with a selected group of our accredited angel investors in San Diego last week.

We appreciate the opportunity to share with you our views on the SEC's Dodd-Frank required review of the Accredited Investor definition, as well as our concerns regarding general solicitation as it impacts the presentations made by startup companies. It was very helpful for us to hear your thoughts on Regulation A+, the enforcement issues faced by the SEC, and your concern with the gap between angel investments and venture capital funding.

The purpose of this letter is to 1) propose to the SEC the opportunity to address our general solicitation concerns through administrative action; 2) comment on the so-called start-up funding gap; and 3) discuss resources ACA has to educate investors, issuers and other key ecosystem players on important securities regulations.

1. General Solicitation: During our San Diego meeting I mentioned the HALOS (Helping Angels Lead our Startups) Act (S.978). I am enclosing a one-page summary of the bill reintroduced by Senator Chris Murphy (D-Conn.) with bi-partisan support. Similar legislation was introduced in the House of Representatives in the 113th Congress and we anticipate the same to happen in this Congress. The purpose of this legislation is to alleviate some of the burdens placed on startups under Regulation D 506(c). Specifically the bill would carve out certain events, usually referred to as "demo days," from being classified as general solicitation and subject to the accredited investor verification process or proposed rules on Regulation D, Form D, and Rule 156. Demo days typically include presentations sponsored by federal, state, or local governments; and events hosted by universities, non-profits, trade associations and similar venues.

We encourage the Commission to consider addressing this matter via clarification regarding the application of Rule 506(c), rather than wait for and/or rely upon potential legislation. ACA and

its legal team would be glad to assist in crafting language for the Commission's consideration to provide interpretive clarification regarding demo days as an exclusionary category for the purposes of determining whether general solicitation has occurred. As Commission staff have indicated, there are prior interpretive comments that support this type of clarification.

2. **Funding Gap:** Regarding the issue of funding sources for young companies, recent data contained in the Angel Resource Institute's Halo Report shows that angel groups are among the primary entities investing larger dollar amounts for startup companies, syndicating these funding efforts with fellow angel groups and other early-stage investors, and closing the gap between angel funding and venture capital or private equity financing. We would be pleased to share this data with you, arrange a briefing by the Halo Report publishers, and further discuss your concerns and how angels can help address them. The most recent report, covering 2014, is available in full at www.angelresourceinstitute.org/Research/Halo-Report/Halo-Report.aspx.

3. **Education:** We appreciate the critical role the SEC plays in identifying and punishing fraudulent activity through the enforcement responsibilities vested in your Commission. Your description of the enforcement meetings Commissioners hold each week was enlightening. ACA conducts regular monthly webinars to help build sophistication among investors, issuers and the startup ecosystem and is considering developing additional programs. Our thoughtful and comprehensive accredited investor information and best practice sharing has created an asset class in angel investing which is virtually fraud free. As the Commission looks to improve investor education, we offer the ACA as a partner in best practices in the accredited investor space.

Thank you again for the time and the insights you shared with us. ACA looks forward to continuing our dialogue and working in a collaborative manner to foster our mutual goal of encouraging increased access to capital for the innovative, cutting edge companies that grow jobs and expand our nation's economy.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Verrill". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

David Verrill, Chairman

Enclosure (HALOS Act summary)