

May 23, 2012

Submission via Web Site

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Comments on the Jumpstart Our Business Startups Act (the "JOBS Act")

Thank you for the opportunity to provide input as you develop the regulations to implement the JOBS Act.

AngelList is a platform that allows accredited investors and startups raising financing to meet and communicate online. Over 40,000 startup companies have profiles on AngelList, and over 3,000 active accredited and sophisticated investors. Our experience running such a platform may be able to inform the SEC's consideration of several sections of the JOBS Act: the general solicitation and 201(c) platforms, and Crowdfunding.

AngelList today complies within the existing regulations, requiring a higher standard than accreditation to join and walling off any information from the general public. The new law does help new companies with capital formation, but we are concerned that its implementation doesn't cause problems for companies that and investors that are already complying with the existing regime.

Section 201(c): General Solicitation and Accredited Investor Forums

We have several suggestions which may help:

- *Offerings with General Solicitations conducted outside Section 201(c) platforms should be treated as separate.* We ask the Commission to clarify that companies engaged in offerings on AngelList and similar forums can simultaneously make Rule 506 offerings with general solicitation elsewhere without the two offerings being treated as integrated. Our investors are sophisticated accredited investors (as our the Rule 506 investors), so there is little danger of exploitation. Integrating the two offerings, however, would subject us to restrictions or enforcement actions regulating general solicitations that may reach non-accredited investors. The offerings should be treated as separate and distinct. Similarly, if a crowdfunding is taking place simultaneously, the offerings should be treated as separate and distinct – nothing in the JOBS Act implies otherwise, and clarity would help a great deal here.

- *Ensure a single national standard for Rule 506 exemptions by continuing to preempt state law.* AngelList will be able to do a variety of things to aid in both capital formation and investor protection because of the provisions of Section 201(c) for platforms and incubators. We can help provide standardized documents, provide diligence services, and other activities as part of what we do for the startup community. We want to make sure these activities don't have to comply with 50 different sets of regulations. Section 201(c) is a Rule 506 provision, and Rule 506 has preempted state law at least since the passage of the National Securities Markets Improvement Act (“NSMIA”). There is no reason to treat the new provision any differently. Clarity on this point will honor congressional intent. It would be inconsistent for Congress to pass legislation restricting SEC regulation of platforms like AngelList while allowing regulation by the fifty states, when almost all of the transactions contemplated by the JOBS Act will cross state lines.
- *Make the new requirement to “verify accredited investor status” reasonable for new startups.* Meeting the legal requirements for a small financing can already take \$20K in legal fees out of a \$100K financing. While we should meet the intent of the law, startups should be able to “verify accredited investor” status through a “reasonable belief” standard. For example, knowledge of basic background of the investor (that they are, for example, an officer in a Fortune 500 company, have other private company investments, etc.) should be enough. Additionally, clarify that a platform such as AngelList can provide the verification without incurring liability so long as the platform has reasonable belief given its knowledge of the investor. This will allow platforms to do the work once for an investor, meeting the intent of the law while removing the burden from the startups.

Crowdfunding

AngelList is considering whether to launch a separate service that would be a Funding Portal for Crowdfunding. Whether we do this will depend on how the regulations implement the legislation. We believe Commission should ensure that Crowdfunding doesn't become the “dumping ground” for poor investment opportunities that experienced accredited investors have already rejected. A small number of startups account for almost all of the returns to investors. If the cream of the crop find Crowdfunding regulations onerous, they won't use it and the “crowd” will find the field rigged against them.

To avoid that outcome, we have several suggestions:

- *Protect investors by allowing Funding Portals to use judgment.* Crowdfunding bans “investment advice or recommendations” by Funding Portals. If that language is interpreted broadly to ban any judgment on the part of the Funding Portal, then unscrupulous issuers can “game the system” of whatever automated algorithm that determines what potential investors see. Funding Portals must be able to include human judgment as an input to their

ranking algorithms so long as it does not cross the line to specific recommendations tailored to a specific investor. The Commission should allow generic ratings, so long as the ratings cannot be bought by the issuer. For examples of this today, visit KickStarter's home page – <http://www.kickstarter.com>. Those offerings are all heavily curated to insure interest and reduce the opportunity to “game the system”, and this judgment is in the interest of the customer.

- *Clarify the steps an issuer must take to avoid errors & omissions liability.* Crowdfunding, unlike accredited investor financing, provides that the directors and officers of the issuer are personally liable for errors and omissions. To avoid this being a barrier that prevents any credible company from crowdfunding, the SEC can provide clarity – a checklist, ideally - as to the due diligence necessary from the officers and directors. Without that certainty, credible companies may avoid crowdfunding because of the additional liability, leaving only the worst opportunities.

Thank you for the opportunity to provide input as you create the regulations to implement the JOBS Act. We are available to discuss anything here further by phone or in person.

Sincerely,



Naval Ravikant

CEO, AngelList