Security and Exchange Commission
ATTN: Elizabeth Murphy, Secretary
100 F Street, NE
Washington, DC 20549-0609

On behalf of the Atlanta Technology Angels, one of the top angel groups in the US, I write to voice our members' concern over proposed Rule 506(c) and Form D. Specifically, the penalties for violating the vague 506(c) rules, the new submission requirements for Form D, and the accredited investor verification burdens, are *causing entrepreneurs and investors to delay or pass on raising and deploying funds for early-stage companies.*

These unintended consequences are in conflict with the mandate of both the SEC and the JOBS Act: to facilitate capital formation in early-stage companies. These consequences, however, stem from two dynamics of today's early-stage company: cash flows are (still) unpredictable and social media dominates communication.

Cash Flow Stress
First, our long involvement in the Southeastern entrepreneurial ecosystem tells us that cash flow stresses on start-ups –whether from too much growth or too little-- often necessitate follow-on rounds of capital less than twelve months after a previous funding round. The penalty of a one-year ban on fund raising is troubling, simply because even the most confident entrepreneurs and investors likely will not run the risk of experiencing a one-year funding moratorium. Capital starvation is already the primary operational threat to every early stage company. This additional, regulatory threat greatly increases every ones' perception of the risk in a new enterprise. *This threat decreases capital formation, not increases it.*

Recommendations
We recommend a more moderate approach in these early days of this regulatory innovation. For example:

- A gradual phasing of penalties, focused on compliance rather than punishment.
- Instead of a moratorium on fund raising, impose additional disclosure requirements of financial information in fund raising communications after a violation.
- A shorter fundraising ban, perhaps 3 months, followed by prior approval of all communications if a violator continues to break the rules.

The prospect of investing in a new company; risky enough when someone in it might inadvertently (see below) generally solicit and thus be thrown into the year-long funding deep freeze for the violation, is too much. Hence, investors delay or move on to the next investment idea.

Social Media Dominance
Second, social media further increases the risk of incurring this penalty because of the vague wording of the general solicitation rule, combined with the way social media is used. We understand and agree with the SEC in trying to safely open a much larger market for capital to non-registered companies. That is a positive. Nonetheless, when the reality is that innovative entrepreneurs tweet, text, post, Vine, pin, Instagram and live blog their plans and progress in real time, the lines blur and all market participants become apprehensive that a company might violate the general solicitation rules and face a one-year ban. Again, *investors will delay investing or pass on the opportunity altogether.*

Recommendations
Our membership recommends clear definitions of what communications ***are*** acceptable. For example, any communication dealing with operational characteristics of the company, without mention of financial status

(present or prospective), is OK. "Just met with MegaCorp! They're interested!" or "Come see us at Venture City! So proud of the team for their hard work to get there!" should not violate the general solicitation rule. With the current vague definition, investors delay or pass.

Relatedly, the prior submission requirement for Form D clearly conflicts with social media realities. Again, today's social media platforms on which many of the startups depend or embed in their business encourage spontaneity. The majority of the communications coming from entrepreneurs tend toward that, and in great volume. It is impractical to imagine prior submission of communications deemed solicitation under the present definition. Prior submission of copy to be published in a weekly newspaper is certainly feasible. A tweet, less so.

On the positive side, there can be regulatory advantages of social media. *Submission to the Commission of much of the communications can be instantaneous if so required, not only allowing immediate review and response, but also efficient record keeping if later review is more practical.* It also bears mentioning that revision of social media messaging can be equally rapid, should the Commission deem anything in violation.

Accredited Investor Verification Strain on Cash

Finally, 506(c)'s verification of accredited investor status requirement by the start-up adds additional strain to a young company's cash in a number of ways. The greatest one is the possible *net decrease in funding, simply because an otherwise committed investor refuses to incur the cost in dollars and privacy to have a third party, such as an accountant or attorney, vouch for her/his financial status, based on a review of the investor's complete and accurate balance sheet.*

Another small but on-going strain on cash, is the *administration of the verification process by the start-up, and the maintenance and updating of those records over time.* Our experience tells us this verification burden will cost a company upwards of $200 per investor, depending on the time necessary to get the required documents. This does not include the investors' costs. *Clearly, such costs may chill capital formation and/or drain precious resources from the eco-system that would otherwise be deployed to add value to the company, hire additional staff or otherwise move the start-up forward.*

Self Verification

Our members advocate self-verification in all situations or, in the alternative, acceptance by the Commission of membership in angel investment groups (with accredited investor membership criteria acceptable to the Commission) as prima facie satisfaction of the verification requirement. This will encourage investors to deploy their capital, decrease the cost of verification on the early stage company, while continuing to provide the same level of safety for unsophisticated and sophisticated investors we've enjoyed under 506(b) for so many years.

We appreciate the Commission's work toward increasing capital availability for early stage companies. Our intent with this letter is to make the Commission aware of the possible consequences that are diametrically opposed to this laudable goal. We also support the work of the Angel Capital Association and their representation of angel investor groups across the nation. The Atlanta Technology Angels stand ready and willing to contribute further to this process of refinement of this regulatory framework if called upon for additional input. Please contact us at your convenience.

Sincerely,

Bernice P. Dixon
Chairman and President
The Atlanta Technology Angels