

JAMES D. LAFFERTY



August 13, 2013

Dear Member of the SEC:

I am a member of the board of directors of the North Texas Angel Network, an angel investment group based in Dallas, Texas. I am writing in regard to two issues: the final Rule 506 regarding general solicitation, and proposed rules to expand the scope of Regulation D and Form D. Specifically, I am seeking clarification of the “facts and circumstances” that would reasonably establish that an investor is accredited. I also respectfully request the Commission withdraw its proposed amendments to Regulation D and Form D, as these requirements would paralyze angel investing and virtually shut small issuers out of the capital markets.

Our angel group is comprised of approximately 60 members, all of whom are accredited investors. Angel investors form the backbone of the startup economy. According to the Angel Capital Association, angel investors were responsible for over \$20B in entrepreneurial venture funding in the U.S. last year. Our local group invested over \$4MM in startups in our region in 2012 and collectively our members have funded more than 25 start-up companies over the last 5 years. Many of these companies have gone on to raise additional capital and continue to positively impact the economy with new technologies and of course they are responsible for new job creation.

I recognize that the JOBS Act required issuers to take “reasonable steps to verify” that investors are accredited when relying on Rule 506(c). However, “reasonable steps” should not include disclosure of personal financial information by angel investors already well-versed in the startup economy. Active angel investors are both accredited investors and knowledgeable about the risks of angel investing. This combination of fact and circumstances provides richer validation than the “check-the-box” method prohibited by Congress.

Our angel group members work closely with entrepreneurs over long periods of time (often years) to provide essential “mentorship capital” and management team support in addition to financial backing. If angels are required to navigate cumbersome and costly requirements to provide private financial data to every startup in which we invest, we will go elsewhere and deploy capital in sectors other than start-up companies. Angels invest our own funds – we are not hedge funds or private equity managers – which have extensive infrastructure already in place to help determine whether a limited partnership investment is suitable for a potential accredited investor.

I respectfully request the Commission take two actions: Withdraw the proposed rules; and, provide guidance in regard to Rule 506(c), to the following effect:

If an issuer verifies that a purchaser is a member of an established angel group or is otherwise actively engaged in the startup community and also provides written representation that he or she is an accredited investor, the issuer will have met the verification requirement of Rule 506(c).

Sincerely,



James D. Lafferty
Chairman of the Board of Directors
North Texas Angel Network