November 4, 2013

Elizabeth Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: File No. S7-06-13, Amendments to Regulation D, Form D and Rule 156

Dear Ms. Murphy:

Thank you for the opportunity to provide comments to the Commission on your proposed amendments to Regulation D and Form D. Many others have provided you detailed comments on why the proposed rules are neither suitable to current market conditions nor aligned with the goals of the JOBS Act that they were supposed to support. I am not a securities attorney, and recognize that many of the legal arguments in these other comments will have more sway with the commission, so rather than pile on to those already exhaustive and accurate comments, I would like to take a more personal approach.

I have been an accredited investor who has been an active angel investor for over 20 years. As such, I've made well over 50 investments in startups and have chaired the largest angel group in the Pacific Northwest that has made over 200 such investments.

Angel investing has moved from a curiosity to an asset class. Angel Investors are individuals, scattered across the country in every major city and town in the US, who invest their own money (unlike banks or VCs). And, to make their companies succeed, they must also invest their time, knowledge, experience, and networks. We do this willingly, giving back to the communities that help us become successful, knowing that on the average over 50% of these startups will fail and not return the investment capital we have contributed. Occasionally, one or our companies succeeds wildly, creating many jobs and sometimes a whole new industry.

Here in the Pacific Northwest, as in many other areas of the country, the amount of venture capital financing has diminished. Angel Investors have often stepped into the breach, investing both more and for longer than in the past. These private investments are not liquid; we know that going in. We know that we typically have to hold our investments for over 7 years from time of first investment and often over 10 years. These are risky investments.

Since we operate on our own, we do not have the infrastructure of a large firm. Typically, our individual investments are small – in the range of $25,000 to $100,000 – and the companies are at their very earliest stages (when we can add the most value to help them succeed), raising only a few hundred thousand dollars to get going. More often than not, we invest in a small technology team with a good idea, who have not yet hired any real "business people," have no infrastructure and are working out of a temporary office. It is our hope that the capital and time we contribute (we are not paid; just equity) will help these companies become the next Microsoft, Google, or Facebook, creating thousands of high-paying jobs.

In order to get these companies going, simplicity is required in financing and deal structure. Having travelled and worked in many countries, the US system has been the envy of the world. Simple Reg D financings have been the cornerstone of the entire asset class and ecosystem. We learn of a small team, help them get up and running, do a simple and quick financing, and then help them grow. The SEC deserves a lot of credit for their foresight in this asset class and the Federal preemption that has allowed it to grow and create jobs and companies.

However, your latest rule-making has put all of that in jeopardy. You have proposed a set of rules that would at best make these financings difficult and at worst completely crippled the asset class. By asking the proverbial 2 guys in the garage to take on the same responsibilities that you would require of an established company with on-staff legal departments and millions in revenue is the definition of insanity. Requiring potential investors to turn over personal financial information to a company that has no real ability to keep it secure is ridiculous. But most of all, it strikes me that you are trying to fix a problem that doesn't exist – angel investors know each other and the risks they are taking. There is little or no fraud in this asset class.

If you do impose a host of restrictions and limitations on the asset class that is working well and is not suffering from any problem other than, perhaps, needing even more capital, you risk causing the capital to dry up for these fragile companies that have driven the US economy.

This is exactly opposite the intent of the JOBS Act. And, in my humble opinion, contrary to our national interest. We need more capital going into angel deals, not less.

Please resist the temptation to cripple angel investing.

Respectfully,

Daniel Rosen, CEO
Dan Rosen & Associates
Kirkland, WA