

Date May 21, 2014

The Honorable Mary Jo White, Chairman  
US Securities and Exchange Commission  
100 F St NE  
Washington, DC 20549

**RE: Accredited Investor Definition**

Dear Chairman White:

My purpose in writing to you today is to urge you and the SEC to protect angel funding, by retaining the existing financial thresholds in the current accredited investor definition. Early-stage companies depend on accredited angel investors for essential support enabling them to innovate, grow and create jobs on virtually every main street in America. Accredited “angels” are vital to the startup eco-system, providing some 90 percent of the outside equity to promising, innovative young businesses. Banks typically are not able to fund many early-stage companies and that is why angel investors are so critical to our economy and business growth. All entrepreneurs need access to capital whether it is from their own savings, friends and family, banks, angel investors or venture capitalists. However, capital is especially critical to the innovator of new technology including bio-med, software, agri-science, and others.

I am employed by a bank that provides free business training and counseling to new and existing entrepreneurs. My company offers these free services because we understand that job growth and creation comes from those entrepreneurs that are willing to take a risk and launch a business. Launching a business creates employment for the entrepreneur and others who are hired as employees. Increased employment increases the well-being for all United States citizens through an increased tax base.

If you change the financial thresholds, you are essentially reducing HOPE and OPPORTUNITY for the millions of entrepreneurs or would-be entrepreneurs that have the dream of creating innovative products and services that have the potential to change the world as well as provide jobs. And the creation of jobs means that there are more tax payers. More tax payers mean that revenue for this country’s infrastructure increases. Then we can continue to grow, prosper, care for the children, the elderly and ill, rebuild roads, bridges, etc. A rising tide does raise all boats. When money flows, it creates opportunities. By raising the financial requirements, you are limiting the opportunities for those who are willing to take the risk by launching a business. You would reduce the money supply to entrepreneurs who are the driving force of this economy. If you are truly concerned about the future of our country and its citizens, the SEC’s proposal does not make any sense at all.

So I ask you, why is the SEC even considering changing the current financial thresholds? We don’t legislate against the average citizen’s investment choices in their IRA or any purchase they decide to make. So why would we want to limit the ability to invest for those that have the means and understanding? Angel investors are bright, accomplished, business savvy and have achieved a certain level of financial success. It is their right to invest and spend their money as they wish. I have met several angels and they typically have a desire to help others achieve success and are committed to growing new businesses and jobs. While obtaining a return on investment is important too, it is NOT what drives them. So I ask you, why is the SEC trying to tell these folks how to spend their money? I expect as a tax payer that the SEC focus on fighting crime such as insider trading and hunting down the criminals like fraudsters such as Bernie Madoff and others like him that are so prevalent. It is not evident to me that angel investors need “protection”. They understand the risks. And entrepreneurs are certainly familiar with the challenges and risks of starting, growing and capitalizing a business.

Here are some other facts you must understand if you proceed down the path you are considering. If financial thresholds were significantly raised from the current \$1 million in net worth or \$200,000 in income, the result would be a reversal in this trend of capital formation, innovation and job growth. According to both the Commission and the General Accounting Office, an increase to \$2.5 million for net worth, advocated by some,

would eliminate nearly 60 percent of current accredited investors. The startup ecosystem would be devastated by a dramatic shrinkage of this vital investor pool, especially in regions where venture capital is not prevalent. Such a contraction could stall local economic development, university technology initiatives, and innovation. At the same time, millions of Americans would instantly lose the opportunity to participate in the innovation economy that is largely the purview of companies raising funds privately from accredited investors.

In today's startup ecosystem, many eyes are on young companies seeking investors – from angel groups, incubators and accelerators to universities and economic development agencies. Accredited angel investors play a key role in assessing companies for funding, and provide ongoing intellectual capital and business support so critical for startups to succeed. The innovation economy simply cannot function or thrive without them.

Given the need for capital formation in the early-stage sector, and the need to balance access to investment opportunity with investor protection, I urge the SEC to adopt the following approach:

- Maintain the current financial thresholds (\$200,000 income per individual; \$300,000 for joint filers, or \$1 million net worth not including primary residence) for individuals to qualify as accredited investors.
- Incorporate the concept of “sophistication” for individuals who do not meet the above thresholds into the definition, to further expand the accredited investor pool to include those with the experience and knowledge in regard to this type of investment.

Such an approach will continue to provide investor protection while also recognizing the growing role and importance of accredited investor investment in innovation and growth that are essential to serve the public interest and sustain our nation's economy.

**Now that you have more facts and information regarding this important matter, I look forward to hearing that the financial thresholds will remain at the current levels. And that the allowance for educated and sophisticated investors as suggested above be implemented.**

Thank you for your thorough review of the facts and logic regarding this critical economic matter.

Sincerely,

*Sheila Spangler*

Sheila Spangler  
Concerned U.S. Citizen, Tax Payer and bank employee