



May 30, 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:

As a member of the Angel Capital Association (ACA) and as Managing Member of North Coast Angel Fund (“NCAF”) I urge the Commission to protect angel funding to ensure the health of the startup economy we support by retaining the existing financial thresholds in the current accredited investor definition. These thresholds -- \$1 million in net worth or \$200,000 in income -- have worked well for decades and created a vital accredited angel investor sector that is the primary source of funds for early-stage companies that drive the innovation economy and job-creation nationwide.

If financial limits were sharply increased, angel investment in early-stage companies would suffer. An increase in the net worth threshold to \$2.5 million, advocated by some, could cut upwards of 60 percent of current accredited investors out of the market. The startup ecosystem would be devastated by such a dramatic shrinkage of this vital investor pool, especially here in Ohio where venture capital is not prevalent. A contraction in angel investing likely would stall the tremendous momentum created over the past 8-10 years in our local and statewide economic development and university technology initiatives, and stem innovation and job growth. Today, NCAF is the fifth largest angel group in the United States and we believe we could lose as many as 30% of the investors who support our activities with the definition changes being considered.

On a national scale, we also believe that millions of Americans could lose the opportunity to participate in the innovation economy through the almost immediate loss of jobs that are created by or derived from new start-up companies or sustained by existing early-stage companies, all of which raise funds privately from accredited investors.

It is important to consider investor protection, the public interest and our current economy. However, the SEC should note that, as more accredited individuals have engaged in angel investing, direct investment in startups has remained largely free of fraud. This is a result of concerted due diligence, negotiated terms, and ongoing entrepreneur support and mentoring that are the hallmark of angel investing.

Given the importance of the innovation economy to the nation as a whole and to our region in particular, 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 Commission to adopt the following approach to the accredited investor definition:

- Maintain the current financial thresholds of \$200,000 of annual income (\$300,000 for joint filers), or \$1 million of 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 to prudently expand the accredited investor pool, using a detailed questionnaire to identify qualitative information about knowledge and experience with 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 serving the public interest and sustaining our nation’s economy.

Thank you for your consideration.

Sincerely,

Claiborne R. Rankin
Managing Member
North Coast Angel Fund, LLC