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

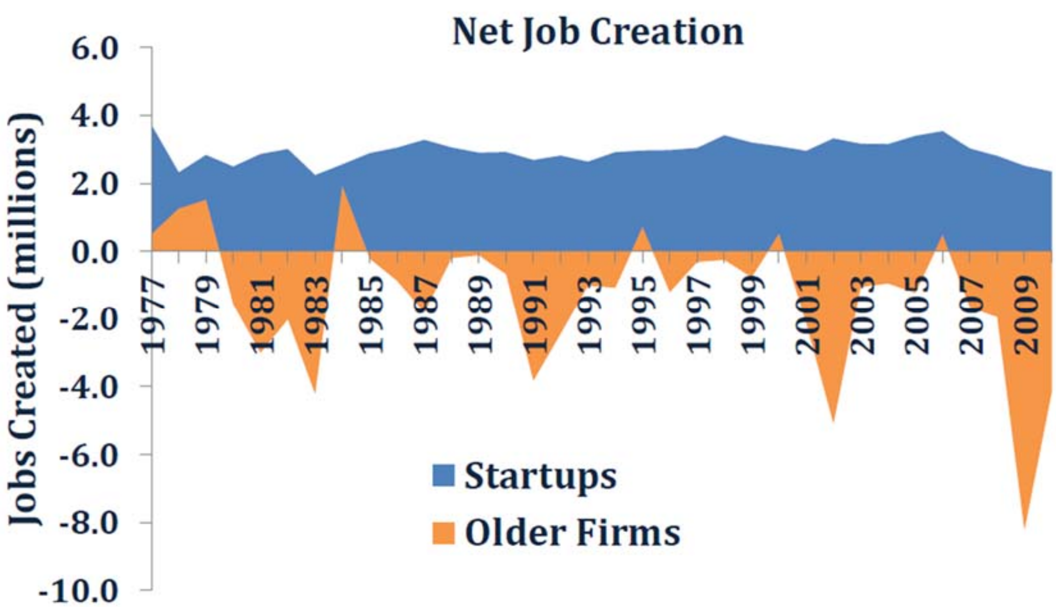
RE: Accredited Investor Definition Comment and Recommendations

Dear Chairman White,

Angel Capital Group (ACG) appreciates the opportunity to weigh in on this topic that is so critical to the continued recovery and growth of our economy. ACG is an angel group founded in 2007 for the purpose of angel investing in a variety of markets and geographies. We have 35 healthy companies in our portfolio, have helped to generate over $20M in follow-on funding for our portfolio companies and created over 100 jobs. We believe that private equity/angel investing is key to the future of our national economy and ensuring our rightful place in the world economy.

In the view of ACG, the proposed changes to the definition of "accredited investor" will have a devastating effect on the private equity market, the startup company market, and the national job market. The concept of reducing the number of angels in the market at this point in the fragile recovery from the great credit contraction is 1) ill-conceived and 2) going in the face of the clear intention of Congress and the JOBS act to open private equity to a broader populace.

Fraudulent private equity was one of the key triggers for the great depression, which was the genesis of the SEC itself. We are not proposing that the market return to an unregulated, wild-west style private equity market. But, it is critical to note that the private equity/angel market is **the** source of job creation in our economy. According to the Bureau of Labor, all net job growth in our economy since 1980 has been generated in startup companies. One need only read The Coming Jobs War by Jim Clifton to understand the importance of entrepreneurship to our future.



Source: Business Dynamics Statistics Briefing: Jobs Created from Business Startups in the United States. Census Bureau and Kauffman Foundation, January 2009.

This is a simply question of math and economics. There are approximately 381,000 active angels out of 5 – 8 M qualified individuals (depending on who you talk to). Angels fund 90% of all startups (66k – 72k per year). If you eliminate as much as 60% of all angels, as the current SEC proposal would do, you eliminate as much as 60% of the capital that would go to starting companies and creating jobs. That would stop this fragile recovery in its tracks and send us hurling backwards into another recession. Private equity is one of the best performing asset classes in the market, why shoot the golden goose when there is little or no fraud in private equity in this day and age? Within five years, private equity is expected to be a standard part of a smart, balanced portfolio for even retail investors. It is no more risky than the stock market or real estate investing (e.g. banking) as the last two bubbles have shown (both HIGHLY regulated markets).

The SEC appears to be reflexively solving problems that don't exist in the name of protecting the public. Angel investing is risky investing and sophisticated investors understand this fact. Attempts to derisk the market will fail. Risk and reward are different sides of the same coin. You can't have one without the other. If you take the risk out of the startup angel investing market, you eliminate the economic reward of the market. These companies walk a delicate line between astronomical success and abject failure. Making the task of compliance and fundraising harder on them is only ensuring their failure.

It is our humble opinion that not only should the SEC not raise the bar on the definition of an accredited investor, they should expand the market intelligently and provide tax incentives (as recently proposed at the federal level) to drive increased job growth:

1. Expand the definition of a "sophisticated" investor to include those participating in an Established Angel Group and those who can demonstrate knowledge of the risks and rewards.
2. Sophisticated investors with an income between $50k and $100kshould be allowed to invest up to 5% of their net income.
3. Sophisticated investors with an income between $100k and $200k should be able to invest up to 10% of their net income.
4. Sophisticated investors with an income over $200k should be unrestricted.

The PE market has done relatively well through the recession. It is the one bright spot in the economy. Our economy is driven by consumer confidence in the middle class. No confidence, no purchases, no job creation. The opposite is also true. Expanding private equity smartly to include the middle class will expand the monetary pool going to startups. More startups means more jobs. More jobs means more consumer confidence. Please do not underestimate the catastrophic effect of reducing the monetary pool that can invest in startups. As far as we can surmise, no one benefits from this move. It is a self-reinforcing cycle of negative performance.

The Tech bubble burst and moved overseas (unregulated, but those who could afford to lose money lost money). Real estate burst too (highly regulated, and those who could least afford to lose money lost money). Regulation is not the answer.

We have exported all other economies (manufacturing, IT, etc.). We are the entrepreneurs of the world and our wealth creation and economic/monetary management strategies should reflect that reality from the top down. We need to embrace entrepreneurship. It is our future if we have the vision to realize it, and our penance if we don't.

Sincerely,

Eric L. Dobson, Ph.D.
Chief Executive Officer
Angel Capital Group