

ES152463

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UNITED STATES SENATE

September 26, 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 the Commission works to complete its four-year review of the accredited investor definition as mandated by the Dodd-Frank Act, I write to ask the Commission to carefully consider the potential consequences of any additional restrictions in the definition of an accredited investor.

It has been well documented in research by the Kauffman Foundation and others that all net job growth in our economy comes from high-growth startups companies, and further research suggests an estimated 90% of early stage equity funding for those companies comes from accredited investors. If the financial thresholds for accreditation are increased significantly as some have advocated, more than 60% of currently accredited angel investors may no longer qualify. Such a change would greatly reduce the \$25 billion market for early stage risk capital, severely limiting a key funding source for the startups that play a major role in innovation, job creation and growth in our economy. The impacts would be felt even more severely in less wealthy states like South Carolina.

While I understand the Commission is tasked with reviewing the definition in part “for the protection of investors,” it is my understanding that despite a steady increase in the pool of accredited investors over the last three decades, the direct angel investment market has remained nearly 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. In light of this track record, it seems unnecessary to arbitrarily exclude millions of currently accredited Americans from participating in the innovation economy. Further restrictions could also be counterproductive to the additional mandates in the Dodd-Frank Act to review the definition “in the public interest, and in light of the economy.”

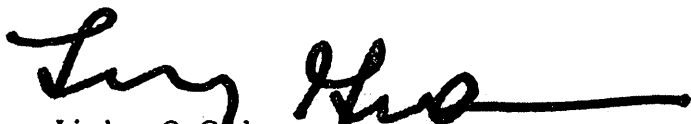
Given the vital importance of our innovation economy and the risk capital needed to fund it, I ask the Commission to carefully consider retaining the existing financial thresholds in the accredited investor definition. I also ask that the Commission consider incorporating additional qualification measures for individuals who may not meet the financial minimums but have the experience and education to responsibly participate in the capital formation process for early stage companies.

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Such an approach would 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.

Thank you in advance for your thoughtful consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Lindsey O. Graham", with a long horizontal flourish extending to the right.

Lindsey O. Graham
United States Senator