ANGEL CAPITAL ASSOCIATION
THE PROFESSIONAL ALLIANCE OF ANGEL GROUPS

March 1, 2007

Nancy Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington DC 20549-1090

Re: File Number S7-25-06: Proposed Rules re Prohibition of Fraud by Advisers to Certain Pooled Investment Vehicles: Accredited Investors in Certain Investment Vehicles

Dear Ms. Morris:

On behalf of the Angel Capital Association, I am pleased to present certain views on the proposals (the "proposals") set forth December 27, 2006.

Background:

The Angel Capital Association is a 501(c) 6 organization representing over 120 organized angel investor groups in North America. Our goal is to encourage and enhance the art and practice of early-stage private equity investing by individuals in entrepreneurial ventures.

Rules re Prohibition of Fraud by Advisors:

We have no comments on these proposals at this time.

Amendments to Private Offering Rules - Modifications of Rules about Accredited Natural Persons:

In response to Proposed Rule S7-25-06 posted on Dec. 27, the Angel Capital Association would like to raise issue with the proposed change in definition of "accredited investor." As a trade association whose groups represent over 5,000 accredited investors who provide assistance and capital to entrepreneurs and start-up companies, we have no comment on the principal subject of the Proposed Rule, Hedge funds. However, because regulatory definitions often spill over or migrate into related sectors with unintended consequences, the ACA would like to call attention to various effects this proposed rule might have on entrepreneurship and new venture creation in the country.

We know of no call from our constituency of active, accredited angel investors to spend taxpayer dollars or consume the SEC's resources to provide protection to participants in this asset class. Our constituents are investing their own monies, not those of others, and are active participants in the sourcing, diligence and management of these investments. They are not paid to make these risky investments. Although we acknowledge inflationary effects have made a $1,000,000 net worth less than it used to be, increased access to industry information, improved company monitoring techniques, and Internet communications have made doing diligence on

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private companies and managing these investments much easier and less costly than 25 years ago. Investors no longer need the same level of assets to protect themselves. Using taxpayer-funded and supported regulation for our asset class could draw the SEC from less transparent asset classes and from investors with far less wealth and fewer resources to protect themselves. Clearly some minimum level of assets is necessary to look out for oneself, but at the current time, we see no protective reason to make major alterations to the current standard for accreditation.

Significantly raising the standard would also impact the amount of available capital for new ventures in the US. While we lack exact estimates on the extent of such an effect, it almost certainly would be greatest in those states most lacking in institutional venture capital and where individual high net worth investors provide the greatest amount of capital to entrepreneurs. Angel investors are helping to fill the capital gap as institutional venture capital funds grow larger and invest in later stage ventures. Start-up funds need investments from angels who meet current sophistication and net worth standards.

Recommendations:

Based upon the above discussion, the ACA would like to recommend that you delay changes in the threshold for net worth for the definition of accredited investor until further study is completed, and that you seriously consider grandfathering additional investments by existing accredited investors if any changes are made in the future.

We appreciate this opportunity to provide comments on proposed Rule S7-25-06.

Sincerely,

John May

John May, Chairman

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