



THE
ANGELS'
FORUM
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SECURITIES AND EXCHANGE
COMMISSION

May 6, 2007

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Buddy Donohue
Director of Division of Investment Mgmt.
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

OFFICE OF THE DIRECTOR
INVESTMENT MANAGEMENT DIVISION

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

Dear Mr. Donohue:

On behalf of The Angels' Forum, we are pleased to present certain views on the proposals (the "proposals") set forth December 27, 2006.

Background:

The Angels' Forum is a unique group of [25] serious and successful early stage private equity investors. We are located in Palo Alto, CA

Rules re Prohibition of Fraud by Advisors:

We have no comments on these proposals at this time except to the extent affected by the discussion below.

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

In response to Proposed Rule S7-25-06 posted on Dec. 27, we would like to raise issue with the proposed change in definition of "accredited investor" and breadth of the scope of "pooled investment vehicle." As an early stage private equity investor group of only accredited investors who provide assistance and capital to entrepreneurs and start-up companies, we have no objection to regulation of the principal subject of the Proposed Rule, Hedge funds. The SEC has appropriately reacted to the Goldstein case.

However, we are concerned that the regulation would encompass a larger investment asset class than the subject hedge funds. Angel investor groups, such as the Angels' Forum, are made up of senior executives and experienced entrepreneurs who are sophisticated in investing and make their own investment decisions. Hedge funds are organized very differently with truly "pooled" investment funds and investment

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managers, and the investors' role and knowledge of the risk in a hedge fund is vastly different than an angel investor.

The Proposed Rule broadly interpreted to encompass angel investment groups could have an unintended consequence on entrepreneurship and new venture creation in the country. The SEC excluded venture capital funds for the reason such funds are good for the economy and the investors in them are able to fend for themselves. The same holds true for angel investors and angel investment groups.

We see reason to spend taxpayer dollars or consume the SEC's resources to provide protection to participants in the angel investment asset class. We are investing our own monies, not those of others, and are active participants in the sourcing, diligence and management of these investments. Unlike Hedge fund managers, we are not paid to make risky investments with other people's money. While it's true that inflationary effects have made a \$1,000,000 net worth less than it used to be, advances in technology over the past 20 years, including increased access to industry information, improved company monitoring techniques, and Internet communications, have made doing diligence on private companies and managing these investments much easier and less costly. Angel investors simply do not need a large level of assets to protect themselves. The SEC should focus its regulation on the less transparent asset classes involving investors with less wealth and fewer resources.

Significantly raising the accreditation standard for angel investing groups would also impact the amount of available capital for new ventures in the US. Angel investors are early stage private equity investors who bridge the capital gap between an idea and institutional venture capital. Most institutional venture capital is focused on later stage investment. There is nothing "broken" in the angel investing world. In fact, it works extraordinarily well. Countless successful companies in the US were funded by angel investors. You don't need to look any further than Google. This country's economy largely is built on start up ventures and those entrepreneurs often rely on investments from angels who meet current sophistication and net worth standards.

Angel investor groups, such as The Angels Forum, combine their resources to make better investment decisions. A consequence of the Proposed Rule would be to force angel investors to act solo without the benefit of group input.

We strongly encourage the SEC to consider narrowing the definition of pooled investment vehicle and excluding angel investing asset class from the proposed accreditation definition. We also share the concerns expressed by the NVCA with respect to the definition of "Venture Capital Fund" as set forth in its comment letter.

Recommendations:

Based upon the above discussion, the Members of The Angels' Forum recommend that you clarify the definitions in the proposals such that the proposals address only the subject hedge fund asset class, and do not encompass angel investors or angel investment

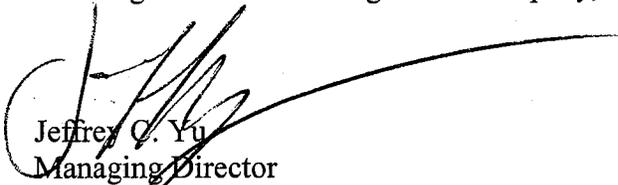
groups. We also recommend, in any event, the SEC grandfather additional investments by existing accredited investors.

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

Sincerely,



Carol M. Sands
Founder & Managing Member
The Angels' Forum Management Company, LLC



Jeffrey C. Yu
Managing Director
The Angels' Forum Management Company, LLC