

Date: 5/22/14

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 an investor in the angel community, 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, creating 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, and with very little fraud.

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 in regions where venture capital is not prevalent. A contraction in angel investing could stall local economic development, university technology initiatives, and stem innovation and job growth. At the same time, millions of Americans would instantly lose the opportunity to participate in the innovation economy that is largely the purview of companies raising 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, 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 income per individual; \$300,000 for joint filers, or \$1 million 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 serve the public interest and sustain our nation's economy.

Thank you for your consideration.

Sincerely,

*Thomas R. Keller*

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Newbury Park, CA