



January 9, 2017

The Honorable Paul Ryan  
Speaker  
United States House of Representatives  
Washington, DC 20515

Dear Speaker Ryan:

As the leading voices of the American innovation economy, we believe that a strong startup ecosystem with the ability for emerging companies to access capital is a cornerstone of the American economy. The Ewing Marion Kauffman Foundation reports that early stage companies are the leading sources of net new job growth and are the competitive advantage that the United States has in the global economy. Fundamental to supporting startups is the traditional role of “Demo Days,” where entrepreneurs pitch their ideas to investors and also help educate the broader startup ecosystem. We support the bi-partisan legislation of Chairman Steve Chabot and Representative Kyrsten Sinema for H.R. 79, Helping Angels Lead our Startups Act (HALOS), which removes a regulatory complication of Demo Days for entrepreneurs and investors.

This legislation is identical to legislation that passed the House last year with a bi-partisan vote of 325-89. As one of the early pieces of legislation in the 115<sup>th</sup> Congress, we appreciate the recognition of the importance of capital formation for America’s innovators and job creators, as well as the role this legislation plays in your innovation agenda.

We believe the HALOS Act will help more job-creating startups raise the funding they need. The bill removes a barrier that comes from an unintended consequence of SEC rulemaking for the Jumpstart Our Business Startups (JOBS) Act. The combination of new SEC rule 506(c) and not updating the overall definition of “general solicitation” has led to Demo Days becoming a form of general solicitation, even though these events were allowed to happen in the days of no general solicitation.

These events - university business plan competitions, statewide venture forums, and incubator demo days - have been an important and historic part of the entrepreneurial financing process for literally decades, often with lead sponsorship by federal, state and local government entities for the purpose of economic development. Thousands of these events have been held annually without investor fraud issues.

This new SEC rule has had a chilling impact on the interest of entrepreneurs to participate in Demo Days. With these events considered as general solicitation, entrepreneurs who participate could potentially be required to independently verify that each of their investors meet accreditation standards, instead of having individuals self-certify their accredited status. Most angel investors have not been willing to go through the additional verification steps for privacy and expense reasons, and therefore have not invested in companies that use general solicitation. As a result, many entrepreneurs have been advised not to participate in Demo Days and many angels have been conflicted about whether they should participate as well, reducing not just available capital but also mentoring of new companies.

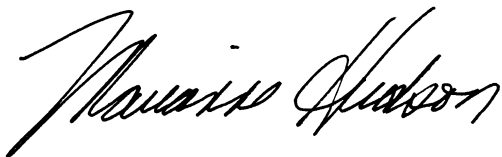
The HALOS Act would exempt Demo Days from general solicitation requirements. It is true that these events are open to the general public, but it is important to point out that the bill does not change the requirement that only accredited investors, those individuals with over \$200,000 in annual income or \$1 million in net-worth not counting their main residence, can invest in these offerings.

This bill recognizes the importance of Demo Days to allow unaccredited individuals to attend. Their education and economic development purposes might be even more important than connecting entrepreneurs to potential investors. For instance, entrepreneurs who are not presenting their companies learn from the presentations of other entrepreneurs and the kinds of questions and feedback they receive from investors and business experts. College classes and programs build in attendance to demo days for students to similarly learn from entrepreneurs and investors – this is a practical way to learn the finer points of building real businesses to success.

Demo Days are important to supporting high growth entrepreneurs and are also important to education of the entrepreneurial ecosystem and to economic development activities in many communities. Attendees at these events have an understanding of their role at the events and it is well known that only accredited investors may invest in the startups. Given that investor fraud has not been a part of Demo Days – with thousands of events annually over multiple decades – we believe Demo Days merit an exemption from general solicitation rules.

Thank you again for your leadership in promoting American startups, capital formation and job creation. We appreciate your leadership and look to swift passage of the HALOS Act.

Regards,



Marianne Hudson  
Angel Capital Association



James C. Greenwood  
Biotechnology Innovation Organization (BIO)



Bobby Franklin  
National Venture Capital Association



Patrick Riley  
Global Accelerator Network