



# Newsletter

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Bob Kyle—Telecom/Security  
Ron Weissman—Software  
Jan Jannink—Internet  
David Deacon—Social

### Full Screening Committee

Chris Meyer  
Wally Buch  
David Overhauser  
Daniel Joensen  
David Wu  
Gene Shklar

### Life Science Committee

Rivka Sherman-Gold  
Mike Bates  
Art Reidel  
Wally Buch  
Denis Coleman  
Paul Quadros

### Membership Committee

Mike Bateman  
David Burwen  
Brian Frenzel  
Martin Lefebvre  
Art Reidel  
Stephen Taylor

### Dinner Details

**Date:** Wed., April 21st, 2010

**Place:** Los Altos Golf and Country Club

**Time:** 6:15 - 9:00 pm

**RSVP:** 650.321.0854  
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## Introduction

The US Senate Committee on Banking, chaired by Senator Chris Dodd of Connecticut, is proposing changes to angel investing buried within the "Financial Reform Legislation" on the floor of the Senate now. The reforms will increase the standard to qualify as an "accredited investor" to \$2.5 million in net worth and \$450,000 in individual annual income. Based on the demographics from the Rob Wiltbank study, this would knock out about two-thirds of angels in angel groups. Outside of groups it will reduce the number of accredited investors by 77%. This will not affect many, if any, Band members, but it will really upend many of the 250+ groups in the Angel Capital Association and seriously reduce the number of "friends and family" angels which invest the majority of angel dollars in the USA and support a lot of entrepreneurs.

Just as bad potentially, is that the proposed legislation requires that uncovered financings will have to be regulated by the states and covered ones will have to submit a Reg D filing ahead of each financing to which the SEC will have 120 days to respond. In the first case, regulations will vary in each state and make cross state syndication problematic, in the second, well, 120 days is a long time! How many companies will be able to pay payroll while they are waiting? And it also appears that the reviews would be for merit as opposed to just looking for issuers with histories of fraud.

These provisions remain in the 1,300 page bill that passed the Senate Banking Committee with almost no amendments in 23 minutes. The majority of this very large bill is about protecting the country from Wall Street, Big Banks, and Bernie Madoff type issues. Angel investments are just caught up in the same category with these investments.

The Angel Capital Association, of which the Band is a founding member, has been aggressively trying to modify these provisions of the bill. Specifically, they are advocating amending Section 926 to exempt startups from SEC filing, state regulation, and 120-day review. And striking Section 412 to prevent 77% of current angel investors from losing their accreditation. If you are interested in voicing your opinion, call Senator Dodd; DC: 202-224-2823, CT: 800-334-5341.

As luck would have it, the ACA annual meeting is just a few weeks away. Angels from around the country will be gathering in San Francisco on May 5th thru 7th to learn from each other and collaborate on issues such as the above. The program is interesting, with Ron Conway, Jeff Clavier, and Mike Maples together on Investing with the Big Dogs panel; Peter Diamandis describing the XPrize; Samir Kaul of Khosla Ventures on energy investments, Dave Berkus, and Mark Heesen from the NVCA. You really should check out the full program at: [www.angelcapitalassociation.org/events/2010-summit/](http://www.angelcapitalassociation.org/events/2010-summit/)

And if you want to go, because the Band is a member, you can do so for \$300! (50% off). At the very least you may consider coming to the Hans Severiens award ceremony at noon on May 6th; it is free to Band members.

- Ian