



## ANGEL CAPITAL ASSOCIATION

March 18, 2021

The Honorable Pat Toomey  
United States Senate  
455 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Senator Toomey:

The Angel Capital Association welcomes the opportunity to respond to your request for legislative proposals to increase economic growth, job creation, and facilitate capital formation. We have appreciated the opportunity to work with you and your staff on the Senate Banking Committee during prior Congressional sessions and look forward to continuing this relationship.

The Angel Capital Association (ACA) is the world's largest professional organization of accredited investors representing over 14,000 members. We invest our own after-tax money in high growth, early stage, entrepreneurial companies. There are business angels and angel groups in every state, and last year angels wrote \$24 billion in personal checks to an estimated 65,000 new companies creating more than 270,000 new jobs, supplying as much as 90% of the equity funding for these cutting-edge firms.

It is with this track record that the ACA proposes what we believe is a simple, but critical legislative recommendation to enhance access to capital for entrepreneurs and the start-up companies they lead. It involves the issue of how many angel investors can join together to invest through a fund and the limits on the size of those funds.

Historically, the Investment Company Act of 1940 limited the number of individual investors in an angel fund or syndicate that were exempt from registration to no more than 99 investors, but placed no limit on the amount of money the fund could raise. In 2018, Congress wisely passed the Economic Growth, Regulatory Relief, and Consumer Protection Act (PL No. 115-74) that raised the limit on the number of investors who could pool their funds to 249, but placed a restrictive cap on the size of that fund to no more than \$10 million.

This fund cap has limited the amount of money that can be raised and invested in innovative, cutting edge companies that work with angel groups or syndicates that exceed 99 investors. It has adversely impacted the ability to raise money for more capital-intensive start-ups, in such fields as biotech, space exploration, gene therapy, pharmaceuticals, and alternative energy. It has also hurt groups of angels who work together at a national level to raise funds for impact investing, such as for start-ups led by women and minority entrepreneurs. Additionally, this restrictive cap has made it difficult to raise sufficient funds for angels to invest in Series A funding rounds which help start-up firms obtain a level of growth that makes them attractive to traditional venture capital firms, commercial banks, and other traditional lending organizations.

To address this restrictive cap, we are recommending the following legislative language that would increase the \$10 million limit to \$30 million (a figure we believe is more in keeping with prevailing fund-raising needs) and index the amount going forward:

*Section 3(c)(1)(C)(i) of the Investment Company Act of 1940 (15 U.S.C.80-a-3(c)(1) is amended –*

*The Term “qualifying venture capital fund” means a venture capital fund that has not more than \$30,000,000 in aggregate capital contributions and uncalled committed capital, with such dollar amount to be indexed for inflation every five (5) years by the Commission, beginning from a measurement made by the Commission on a date selected by the Commission, rounded to the nearest \$1,000,000.*

The Angel Capital Association would be pleased to answer any questions you or your staff might have about this recommended legislative change. We believe this simple adjustment can significantly enhance access to much needed capital for America’s entrepreneurs who are at the forefront of innovation and job creation in our nation.

Sincerely,



Pat Gouhin  
Chief Executive Officer



Tony Shipley  
Chairman of the Board

10977 GRANADA LANE, SUITE 103 OVERLAND PARK, KANSAS 66211 (913) 894-4700  
[www.angelcapitalassociation.org](http://www.angelcapitalassociation.org)