



ANGEL CAPITAL ASSOCIATION
Angel Group Certification Program
September, 2014

*Making it easier for ACA members to participate in generally solicited offerings
Verification of membership in “Established Angel Group” for accredited investor status*

Introduction

With the introduction of SEC rules for generally solicited offerings [also known as 506(c) deals] and particularly the need for issuers to take “*reasonable steps to verify*” that all of their investors are accredited, ACA has worked to develop an easy and sensible verification method for angel group members. The goal of this proposed certification program is to remove the need for angels to provide documentation of their wealth or income to entrepreneurs or third parties for 506(c) deals – and replace this burden with the ability of an individual angel investor to verify their accreditation by being a member of an Established Angel Group that meets certain certification criteria.

This program benefits from testing and feedback through interviews with 18 ACA member angel groups in August, 2014.

Elements of the Program

The Established Angel Group certification is built on these elements:

- **Voluntary participation.** The certification program is voluntary – it is not a requirement for angel group membership in ACA, nor must groups be ACA members.
- **Works for all group structures.** The criteria are meant to work for angel groups regardless of their structure (networks, funds, sidecar funds and their many variations).
- **Fit nearly all full member groups.** The criteria should fit the operations of nearly 100 percent of ACA full member angel groups, and it should be relatively simple for group administrators to provide the relevant documents.
- **Reasonable criteria.** Criteria for certification as an “Established Angel Group” (“EAG”) is based on [ACA guidance](#) published in September, 2013 and [publicly described as a reasonable approach in March by Keith Higgins](#), director of the SEC division that wrote the General Solicitation rules (speaking for himself). Twelve attorneys on ACA’s Public Policy Advisory Council have also endorsed the guidance as reasonable.
- **Support of individual members.** Angel groups with the certification could then provide their members with a letter to provide to their member angels in good standing on an annual basis when they invest in a 506(c) deal – whether as part of the group or independently.
- **Easy application and renewal.** The certification process will include simple documentation and would be renewed annually with basic information. All information will be kept *confidential*.
- **506(c) will become most used offering to angels.** While many ACA members currently prefer to invest in only “quiet” 506(b) deals, we join many experts in believing that most deals will eventually fit the 506(c) general solicitation definition.

Criteria for Established Angel Group

Certification criteria includes six required criteria and three other recommended, but not required, factors:

Required Criteria

1. A private group formed with the purpose of investing in early-stage companies

2. All members are accredited investors who self-certify they are accredited investors and are aware of the risks associated with investing in early-stage companies
3. All members are vetted before they join via three or more of the following:
 - a) Recommended/referred by a current member
 - b) Interviewed by members or a committee
 - c) Complete an application that includes professional history, academic background, and investing history/ interests
 - d) Approved by the Board or other designated approving authority
 - e) Other reasonable vetting (i.e. background checks, review of financial documents...)
4. The group has a code of conduct
5. The group has an established deal/investment process in which investors can invest their own money or participate in the group's investment decision-making process.
6. The group has a process for members to affirm accredited status periodically (no less than annually)

Other Recommended Practices (not required)

1. The group convenes or participates in regular education sessions for members about facets of early stage investing
2. At least one group member has invested in a Rule 506 deal in the past
3. The organization or person is a member of a professional organization, such as ACA

Process for Certification

The application process includes these easy steps:

- **On-line submission:** ACA will establish an on-line application that allows the group to upload one time each year those group documents that demonstrate the group meets the certification criteria. These are:
 - Individual application for membership in the angel group, including self-certification of accredited status and agreement to angel investment risks
 - Description of the group's process for reviewing and accepting new member angels, addressing three or more of the member angel vetting issues
 - Copy of the group's code of conduct
 - Description of the group's deal/ investment process
 - Membership renewal process (for angel networks) or description of process for members to affirm accredited status periodically
 - \$100 application fee
- **Quick review:** ACA staff will review the materials and either will provide a quick approval (the group meets certification standards) or will ask additional questions. If additional documents are needed, ACA can upload them into the group's application file.
- **Certificate/ Seal:** If your group meets the certification criteria ACA will provide your group with a certification/seal that designates your group as an Established Angel Group. This certification will last for one year and will include language that provides confidence to attorneys representing issuers.-Your group may use a special EAG seal from ACA on its website and ACA will also include a list of certified EAGs on its website to assist in proof to issuers of the group's certification. ACA will also provide group administrators a letter that they can provide to their member angels as proof of their current membership in an Established Angel Group, for the certified period. It will be the responsibility of the group to provide any individual letters of EAG status to their respective members and to ensure that all individual member letters are dated and used by current members only.
- **Annual renewal:** A simple on-line application will include the ability for the group to simply verify that that the processes reported in the original certification application continue to be valid and in place; as well as the ability to upload any documents that have been updated since the last submission of documents.