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# New federal laws may hurt business investments, growth

BRUCE MACCORMACK - THE BELLINGHAM HERALD

At a time when the paramount strategy for putting the nation on a road to economic recovery is creating jobs, real jobs not make-work use of massive federal dollars to merely provide paychecks, the U.S. Senate is considering legislation that could do irrevocable damage to a proven source of innovative new jobs.

At issue is a massive 1,300-page bill whose logical basic goal is reforming regulation of the nation's major financial institutions. But imbedded within that bill is a few-page section with the illogical result of redefining how so-called angel investors could operate and how they would be defined.

Such redefinition of what constitutes an angel, meaning someone financially capable of providing start-up capital to one or more companies without a lot of regulatory constraints, would dramatically deplete angel ranks and thus the collective dollars available for start-up entrepreneurs and their innovations.



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Those start-up entrepreneurs, whose innovations and the new companies they spawn are a vital segment of job creation, are the primary recipients of angel capital, either from individuals or angels acting in groups to create broader investment potential.

But in truth, there clearly isn't an intent by the Senate to damage entrepreneurship and stunt job-creation efforts.

The fact that this massive document filed by Sen. Christopher Dodd, the Connecticut Democrat who is not seeking re-election,

contains a few pages whose effect would be to dramatically reduce the number of angels nationally is an indication of what can happen when action precedes thought.

Two provisions in the bill are at the heart of angel group concerns. The first would repeal the federal pre-emption of state regulators for so-called Reg D offerings that allow companies to raise relatively small amounts of capital without federal or state registration. The second would raise the bar for investors to qualify as "accredited," meaning jacking up the current \$1 million net worth or \$200,000 annual income requirement to about \$2.3 million or \$450,000 of annual income.

The provisions are in this bill apparently in response to the concern that part of overhaul of financial institutions should include "consumer protection" for investors who have been

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