



H.R. 4498—Helping Angels Lead our Startups (HALOS) Act, (Rep. Chabot, R-OH)

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FLOOR SCHEDULE:

Expected to be considered on April 27 under a structured [rule](#).

TOPLINE SUMMARY:

[H.R. 4498](#) would promote small business access to investment capital to ensure they can connect with angel investors. This bill would define angel investor for federal securities laws and would clarify the definition of general solicitation in the Securities Act of 1933, so that startups can discuss their products at “demo days.”

COST:

The Congressional Budget Office (CBO) [estimates](#) that the net effect on discretionary spending would be negligible.

CONSERVATIVE CONCERNS:

- **Expand the Size and Scope of the Federal Government?** No.
- **Encroach into State or Local Authority?** No.
- **Delegate Any Legislative Authority to the Executive Branch?** No.
- **Contain Earmarks/Limited Tax Benefits/Limited Tariff Benefits?** No.

DETAILED SUMMARY AND ANALYSIS:

While Title II of the [JOBS Act](#) made it easier for startups to market their securities to a bigger pool of investors, the final rule classified discussions with angel investors as general solicitations. Under current law, if a firm is offering a general solicitation of unregistered (non-exchange traded) securities, it is required to verify accredited investor status for any purchasers based on wealth or specialization of knowledge. This process is often burdensome and can make events like “demo days,” where startups can connect with angel investors, difficult. Angel investors are usually wealthy individuals that are typically involved in the startups to which they provide financing, though they usually are not professional investors or venture capitalists. They often serve as the largest funding source for startup enterprises.

H.R. 4498 would remove the uncertainty of the Securities Exchange Commission’s (SEC) implementation of Title II of the JOBS Act by defining an “angel investor group” as any group that: (1) is comprised of accredited investors; (2) holds regular meetings with decision-making procedures; and (3) is not affiliated with brokers, dealers, or investment advisers.

This legislation would require the SEC to revise Rule 506 of Regulation D, which covers the registration and sale of securities, with respect to presentations and communications. Specifically, the revision would ensure that the Securities Act's general solicitation limitations do not apply to presentations, communications, or events that are conducted on behalf of an issuer that are (1) sponsored by certain organizations; (2) where the advertising for such an event does not reference specifically securities offered by the issuer; or (3) at such an event where no specific information relating to securities is disseminated by or on behalf of the issuer. It would also limit the ability of the SEC to amend Regulation D's requirements as they pertain to presentations and communications, and not purchases or sales.

The Committee Report can be found [here](#).

AMENDMENTS:

1. [Waters](#) (D-CA)—This amendment would limit the types of fees demo day sponsors are able to collect, and would limit the attendance at demo days to those individuals with financial sophistication. It would also require an issuer to be a legitimate business.

COMMITTEE ACTION:

H.R. 4498 was introduced on February 9, 2016 and was referred to the House Committee on Financial Services where it was reported favorably on March 2, 2016.

ADMINISTRATION POSITION:

A Statement of Administration Policy is not available.

CONSTITUTIONAL AUTHORITY:

Congress has the power to enact this legislation pursuant to the following: Article I, Section 8 Clause 3.

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