



May 23, 2023

The Honorable Patrick T. McHenry
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
House Committee on Financial Services
4340 O'Neill House Office Building
Washington, DC 20515

Dear Chairman McHenry and Ranking Member Waters,

Engine writes to express its support for H.R. 1553, the Helping Angels Lead Our Start-Ups Act (HALOS Act), sponsored by Representatives Lawler (R-NY) and Gottheimer (D-NJ). As a nonprofit research and advocacy organization that supports high growth startups—our economy's principal job creators—we strongly endorse any measure that encourages capital formation and expands access to necessary seed funding for our nation's most innovative companies. The HALOS Act helps to clarify regulatory ambiguities around general solicitation, making it easier for startups to publicly showcase their ideas without running afoul of securities laws.

With the passage of the Jumpstart Our Business Startups Act (JOBS Act) more than ten years ago, federal policy regarding early stage capital formation has succeeded admirably in lowering regulatory barriers and opening up new avenues for startups to find investors. And the JOBS Act helped modernize the decades old rules regarding general solicitation that made little sense in a digitally connected world. However, further modifications to general solicitation rules are needed to provide greater clarity to startups and in turn, facilitate angel investment.

Under current rules, startups presenting their business plans at “demo days” or pitch competitions—done frequently throughout our diverse startup ecosystem—could unintentionally violate rules banning general solicitation to nonaccredited investors if they do not adequately vet their audience to ensure that everyone in attendance is an accredited investor. This limitation makes it much harder for cash-strapped startups to find the early stage funding they need, particularly if those startups do not already have strong pre-existing relationships with potential investors. For entrepreneurs working in communities without a robust venture capital or angel investor network, demo days represent one of the best ways to find seed capital, generate interest in their business, and even find new customers or clients. Requiring an extensive vetting process to ensure that such public pitches are limited to accredited investors establishes a burdensome regulatory barrier that will simply discourage angel investors and startups from participating.

The HALOS act does not override the requirements for private placements under Reg D regarding accredited investors. Rather, the HALOS Act makes clear that certain events, like demo days, do not

constitute general solicitation. By fixing this unnecessary vetting obligation, the HALOS Act will make it easier for startups to connect with seed investors. The bill would allow startups to spend their precious resources on building their businesses, rather than navigating the regulatory requirements of a pitch event, an activity that's nearly become a rite of passage in the life cycle of today's startups.

Engine appreciates your efforts in ensuring that our country's startups have the legal and regulatory tools they need to continue contributing to our economy. We urge you and your colleagues to pass the HALOS Act.

Sincerely,

Kate Tummarello
Executive Director
Engine