

154.20-234 Angel Investor Program qualification requirements.

The requirements for small businesses, investors, and investments to be qualified for participation in the Angel Investor Program are as follows:

- (1) To be certified as a qualified small business, the business shall demonstrate to the authority that it is an entity which, at the time the small business requests certification:
 - (a) Has a net worth of ten million dollars (\$10,000,000) or less or net income after federal income taxes for each of the two (2) preceding fiscal years of three million dollars (\$3,000,000) or less;
 - (b) Is actively and principally engaged in a qualified activity within the Commonwealth, or will be actively and principally engaged in a qualified activity within the Commonwealth after the receipt of a qualified investment by a qualified investor;
 - (c) Has no more than one hundred (100) full-time employees;
 - (d) Has more than fifty percent (50%) of its assets, operations, and employees located in the Commonwealth; and
 - (e) Has at no time received an aggregate amount of qualified investments that has allowed qualified investors to receive more than one million dollars (\$1,000,000) in angel investor credits;
- (2) To be certified as a qualified investor, an individual investor shall demonstrate to the authority that he or she:
 - (a) Is an individual natural person;
 - (b) Qualifies as an accredited investor pursuant to Regulation D of the United States Securities and Exchange Commission, 17 C.F.R. sec. 230.501, in effect as of the date the individual investor requests certification;
 - (c) Does not hold in excess of twenty percent (20%) ownership interest in, and is not employed by, the qualified small business prior to making the qualified investment in that qualified small business;
 - (d) Is not closely related to an individual who holds in excess of twenty percent (20%) ownership interest in, or who is employed by, the qualified small business prior to making the qualified investment in that qualified small business. For purposes of this paragraph, "closely related" means the parent, spouse, or child of an individual; and
 - (e) Seeks a financial return from the investment made in the qualified small business; and
- (3) To be certified as a qualified investment, the investment shall:
 - (a) Be a cash investment of at least ten thousand dollars (\$10,000), in a qualified small business by a qualified investor;
 - (b) Be offered and executed in compliance with applicable state and federal securities laws and regulations; and
 - (c) Be exchanged for consideration in the form of an equity interest in the

qualified small business, such as a general or limited partnership interest, common or preferred stock with or without voting rights and without regard to seniority position, or forms of subordinate or convertible unsecured debt, or both, with warrants, rights, or other means of equity conversion attached.

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