

154.20-234 Angel Investor Program qualification requirements.

- (1) The requirements for small businesses, investors, and investments to be qualified for participation in the Angel Investor Program are as follows:
 - (a) 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:
 1. 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;
 2. 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;
 3. Has no more than one hundred (100) full-time employees;
 4. Has more than fifty percent (50%) of its assets, operations, and employees located in the Commonwealth; and
 5. 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;
 - (b) To be certified as a qualified investor, an individual investor shall demonstrate to the authority that he or she:
 1. Is an individual natural person who may utilize a single-member limited liability company to make the investment as long as the individual natural person is the owner and the limited liability company is a disregarded entity;
 2. 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;
 3. 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;
 4. 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 subparagraph, "closely related" means any of the following in relation to the owner or owners or spouse of the owner or owners:
 - a. Parents or grandparents;
 - b. Children or their spouses; or
 - c. Siblings or their spouses; and
 5. Seeks a financial return from the investment made in the qualified small

business; and

- (c) To be certified as a qualified investment, the investment shall:
 - 1. Be a cash investment of at least ten thousand dollars (\$10,000), in a qualified small business by a qualified investor; and
 - 2. Be offered and executed in compliance with applicable state and federal securities laws and regulations.
- (2) In consideration for the qualified investment, the qualified investor shall receive an equity interest, or a near equity interest, such as a simple agreement for future equity, or "SAFE agreement", or a convertible debt instrument in the qualified small business.
- (3) The authority may establish additional requirements and guidelines for the efficient implementation and administration of the Kentucky Angel Investment Act and to carry out its purposes.

Effective: June 29, 2021

History: Amended 2021 Ky. Acts ch. 185, sec. 111, effective June 29, 2021. -- Amended 2020 Ky. Acts ch. 76, sec. 1, effective July 15, 2020. -- Amended 2018 Ky. Acts ch. 199, sec. 23, effective July 14, 2018. -- Created 2014 Ky. Acts ch. 102, sec. 23, effective July 15, 2014.