"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed. That whenever any form of government becomes destructive to these ends, it is the right of the people to alter . . . it." - **The Declaration of Independence**

To whom it may concern,

In his State of the Union speech, President Obama flatly stated, "I believe a thriving private sector is the lifeblood of our economy. I think there are outdated regulations that need to be changed, and there's red tape that needs to be cut." I would heartily agree with this statement and cite the current definition of what constitutes an accredited investor as the embodiment of such outdated executive regulations.

I am not an accredited investor.[1] Much as the other 90% of the US population, I neither make $200,000 a year, nor have $1 million net worth (excluding my house). I write to applaud the recent proposal to incorporate an educational exemption into the definition of an accredited investor so that I am now included in this artificially circumscribed class.[2] Where the previous definition enabled a specific class of individuals meeting certain minimum financial thresholds[3], the inclusion of an additional educational exemption will bequeath Economic Rights upon a new class of investor according to Goldman Sachs - myself included.[4] Much as the 26th Amendment extended Political Rights to people aged 18-21, the proposed amendment to the accredited investor definition implicitly grants an Economic Right to a specific age slice of the US population.[5] This pool of newly minted investors has the potential to change the landscape of the market.

As an attorney I advise clients on general corporate governance matters with a focus on venture capital acquisitions. I have passed the California Bar and have my J.D. from an ABA accredited law school. Under the proposed accredited investor definition, I would most likely qualify as an accredited investor. This qualification means that I will be given an Economic Right to invest in certain asset classes that I would not have had been able to before - early growth non-public companies.[6] This asset class has had an average return of 27% in the long term according to a Kauffman Foundation report[7] and based on this new Economic Right I am now considering a diversified 401(k) investment strategy - especially in light of possible matching by my employer.

If a proposed educational exemption is adopted, then my only comment to the commission would concern the level of difficulty of such a test. The commission recommends that the Series 7 test be used as the baseline - a professional standard. I would instead suggest that an intermediate standard be used – if any standard at all. Not only would a lower standard create more competition in the early stage

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[1] I'd like to note that it'd be interesting to simply ask if current/former SEC Commissioners qualify as accredited investors?

[2] https://www.sec.gov/corpfin/reportspubs/special-studies/review-definition-of-accredited-investor-12-18-2015.pdf

[3] In light of the Powerball lotto jackpot at $1.5 billion (odds at 1 in 292 Million) or "skillful" bets placed on Draftkings.com; I would think this arbitrary proxy would need to be justified in light of the deprivation of Economic Rights involved.

[4] http://www.goldmansachs.com/our-thinking/pages/millennials/. Depending on the difficulty of the exam the age range of this new class will be mostly millennials.

[5] Currently, individuals under 35 years of age (representing 21% of the population) represent only 3% of the current accredited investor pool.

[6] See Rule 506(b) and 506(c). I understand that up to 35 "sophisticated" investors may participate in 506(b) offerings, but in reality this does not happen.

[7] http://sites.kauffman.org/pdf/angel_groups_111207.pdf

investment market due to an increased supply of money, it would effectively balance the executive's desire to protect investors while also not arbitrarily inhibiting their Economic Rights.

Comparable law in the United Kingdom allows any individual to invest in early growth companies if they invest less than 10% of their income or are advised by sophisticated professionals.[8] This alternative regime places less emphasis on investor qualifications and more focus on accurate disclosures from the issuing companies. I believe American law should be similar in this respect. Considering I can already legally gamble online at Draftkings.com or by buying my Powerball lottery ticket, I find the paternalism of the current definition repugnant to the uniquely America ideals of Freedom and Equality.

Speaking solely for myself, maybe I am young, but I appreciate being treated as an adult – especially when I advise adults. Being an adult means taking responsibility for myself, and my investment choices, and how are people ever going to learn this responsibility if they aren't being provided with the opportunity? I would hope this letter highlights the contradictions in America's stated values and it current regulatory regime and for those who would advocate for the status quo I would simply ask:

"But what if better counsels could erect our minds and teach us to cast off this Yoke? And if not all Equal, equally free . . . [for] who could claim then Monarchy over such as that as life by right, ***his Equals if, in power and splendor less, in freedom Equal?*** *. . Or introduce Law and Edict upon us . . . and look for adoration to the abuse of those Imperial Titles which assert our being ordained to govern, not to serve."* - John Milton, "Paradise Lost"

Sincerely,

Chase Morello

[8] See COBS 4.7.7R to COBS 4.7.10R. For example, the UK company Crowdcube is not quite open to all: people either have to self-certify that they are high net worth individuals or sophisticated investors or have to fill out a questionnaire that is designed to weed out anyone who really doesn't understand the risks of startup investing. But the bar is not very high. Prospective investors are asked things like whether most startups (a) succeed or (b) fail, and whether the founders are obliged to pay you back if the company gets into trouble. This is not a test, more like a lengthy reminder that you are very likely to end up losing money if you play the VC game. According to the SEC's own Accredited Definition Report a high percentage of accredited investors rely on professionals already.