

Umbra Fund

June 28, 2019

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Amending Regulation D¹, by eliminating the designation of an accredited investor, and allowing citizens in the United States of America, who are currently deemed as non accredited investors, to partake in investments that are currently obstructed due to the aforementioned designation.

Dear Mr. Fields:

My name is Jeremiah Blear, as a member of Umbra Fund² I respectfully petition the U.S. Securities and Exchange Commission (the “SEC” or “Commission”) to eliminate the designation of an accredited investor. I submit this request to ensure that the endeavor of financial growth is meritocratic. My intention is to make it so that individuals who desire to invest their money in The United States of America will be treated equally, regardless of status (accredited or non-accredited); allowing all citizens to either ascend or descend financially, based on their own investment decisions, with no obstruction.

¹ See Rule 506 of Regulation D available at: <https://www.sec.gov/fast-answers/answers-rule506htm.html>

² Umbra Fund is an emerging hedge fund founded by Jeremiah Blear & Michael Thomson, the fund specializes in quarterly earnings. <https://www.umbrafund.com/>

Introduction:

The concern of income inequality in the United States increases³, and is on the mind of all Americans; however, the greater concern stems from the lack of reasonable suggestions to resolve this issue. There are a plethora of exorbitant methods that have been conceived to resolve the issue of income inequality, recently, the most predominant being Universal Basic Income (UBI). The methods brought forth are capable of worsening the aforementioned circumstance due to their exorbitant cost ranging in the trillions per year⁴, but these drastic methods convoked many Americans and are profoundly discussed. If someone becomes overwhelmed by a struggle, angst will arise, animosity will flourish, and their judgment will become lackluster, so when presented with any resolution, it will be perceived as a luminous resolution; this newfound hope is how people can be manipulated or make terrible decisions, regardless of their status, entrapped by despair, just to be subsequently seduced by quixotism. It's self-evident that individuals in the United States simply want to improve their income; they feel stagnant and distraught with their circumstances despite the economy doing very well in many respects⁵, and are trying to conceive a method to remedy this. I disregard Universal Basic Income due to its poor historical data, but I cannot disregard individuals in this country, who are merely trying to conjure a method to resolve this growing concern, that is seemingly unsolvable to many.

³ See Income Inequality, Financial Crises, and Monetary Policy available at: <https://www.federalreserve.gov/econres/feds/files/2018048pap.pdf>. See also Fed Chair Powell says policies are needed to address slow income growth, May 9, 2019, available at: <https://www.pbs.org/newshour/economy/powell-says-policies-are-needed-to-address-slow-income-growth>. See also Gini Coefficient United States available at: <https://www.americashealthrankings.org/explore/annual/measure/gini/state/ALL>

⁴ See Commentary: Universal Basic Income May Sound Attractive But, If It Occurred, Would Likelier Increase Poverty Than Reduce It available at: <https://www.cbpp.org/poverty-and-opportunity/commentary-universal-basic-income-may-sound-attractive-but-if-it-occurred>

⁵ See U.S. Unemployment Rate Drops To 3.7 Percent, Lowest In Nearly 50 Years, October 5, 2018, available at: <https://www.npr.org/2018/10/05/654417887/u-s-unemployment-rate-drops-to-3-7-percent-lowest-in-nearly-50-years>

The concern of Americans being unable to increase their wealth is an opportunity; opportunities usually masquerade as issues, and it is the responsibility of proper businessmen & businesswomen to identify and resolve these issues. However, the issue of income inequality has been ignored, and the issue cannot be properly resolved at this moment, that is partly due to the designation of an accredited investor. The accredited investor designation restricts coveted investment opportunities for individuals that do not meet an income threshold and deems those individuals that fall below the threshold as unsophisticated⁶, regardless of education or experience; thus perpetuating the issue of income inequality. Hence, I come to you, the SEC, proposing equal rights, true equality, not in terms of wealth, but in terms of opportunity, by eliminating an arbitrary designation, the designation of an accredited investor, which is a transient impediment to citizens that are deemed with a fatuous preconception.

This proposition can be seen as an extension of the Jumpstart Our Business Startups Act⁷, bipartisan legislation that was proposed to loosen restraints on capital raising for small businesses. I view my proposition as a method to increase stock market participation by allowing non-accredited investors to partake into hedge funds, but many others will view it as a method to ease capital raising for small businesses and the ability to invest in coveted opportunities.

A part of the reason for increasing income inequality in the United States is surprisingly uncomplicated; it is increasing because a particular segment of this country is prudently growing their wealth⁸, and that's by partaking in coveted investment opportunities, opportunities that are granted solely to accredited investors, whereas another segment ("The unsophisticated" or non-accredited investors) are not permitted by Regulation D to partake in the aforementioned opportunities, due to a status assigned in the regulation. The status of non-accredited investor

⁶ The designation doesn't explicitly state that an accredited investor is sophisticated, but comments from the SEC suggest otherwise. Notwithstanding, other countries identify "accredited investors" as "sophisticated investors," so it's safe to presume that the SEC considers wealth to be equivalent to sophistication.

⁷ See Spotlight on Jumpstart Our Business Startups (JOBS) Act, available at: <https://www.sec.gov/spotlight/jobs-act.shtml>

⁸ I will elaborate further in the section named stock market participation.

proclaims that individuals are unsophisticated and could not be allowed to partake in investments due to self-harm. There will always be a discrepancy in wealth, but that is not the issue that I am proposing; the issue is inequality in terms of economic freedom, and the inability of Americans not being able to partake in investments equally, due to the accredited investor designation.

The designation of an accredited investor acts contrary to the founding principles of this country⁹, in the declaration of independence, it states "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". I am by no means a constitutional lawyer, so I cannot answer if the designation is truly unconstitutional, I can merely state that it opposes the message of the constitution. The designation of an accredited investor is also discriminatory in terms of wealth, it's not a discussion to be had because it's blatantly true, the reasoning for discrimination is never relevant when determining if something is discriminatory or not. The designation deems approximately 90% of the U.S. population to be incompetent and obstructs them of investing equally, solely due to a preconception. It's apparent that the designation of an accredited investor is an antiquated monicker, it doesn't atone for the issues of income growth in our country, it doesn't account for education, it disregards experience, and lastly, the threshold doesn't even increase due to inflation¹⁰; ironically the tool used to discern sophistication, is in itself unsophisticated. I will briefly discuss why I believe that the designation of sophistication should be abolished and why the SEC should have a laissez-faire approach towards private placements.

⁹ See Section 1 of the Virginia Declaration of Rights, available at: <https://www.history.org/almanack/life/politics/varights.cfm>.

¹⁰If the income requirement took into consideration inflation, it would be approximately 2.7 million, which would be above the income requirement to become a qualified client. If the current requirement was important, it would logically adjust to inflation, but it doesn't. If anything, this just goes to show that the designation is arbitrary, the income requirement is a random number chosen; I say this because there's no importance to \$1 million specifically.

In our submission, we respectfully request that the Commission:

- Eliminate the designation of an accredited investor.

Unsophisticated Rebuttal:

Need for Protection:

I was initially bewildered when I discovered that the SEC's reason for the designation of an accredited investor was protection; the unfortunate truth about investing is that no matter how smart, or "sophisticated", an individual is they are capable of losing their money when investing¹¹, this is a universally understood concept. What the SEC is suggesting is that somehow the general public needs protection from investments that are obligated to accredited investors, despite these investments not having anymore risk than alternative investments which are currently unrestricted to nonaccredited investors.

I assume that the risk the SEC is trying to protect non-accredited investors from is of encountering bad characters. However, the argument for bad characters is applicable to "sophisticated" investors as well, "sophisticated" investors are just as susceptible if not more to Ponzi schemes¹², due to their larger income; therefore, more capital does not prevent charlatans from targeting an investor, nor does it make investments any more secure, bad characters like Bernie Madoff are proof of this. Bernie Madoff is a great example to use; charlatans masquerade themselves with money, and due to the preconceived notions created, preconceived notions that are similar to those that the accredited investor designation suggests, people trust them. Senseless preconceptions are merely a human flaw; this flaw is not idiosyncratic to the "unsophisticated" or

¹¹ See Reality of Investment Risk, available at: <https://www.finra.org/investors/reality-investment-risk>.

¹² See Investor Alert: Ponzi Schemes Targeting Seniors, available at: https://www.sec.gov/oiea/investor-alerts-and-bulletins/ia_ponziseniors

the "sophisticated"¹³." I don't believe the SEC should segment 90% of this country from coveted investment opportunities merely because of bad characters; these characters are merely derivatives of preconceptions, and it's evident by the accredited investor designation that not even the SEC is impervious to forming them. I hate to use the term unfair, but it's pretty unfair to discipline the innocent on behalf of the guilty and foolish.

A genuine argument for protecting unsophisticated investors would be to restrict investments even further; If I was attempting to prevent investment risk, I would restrict further investment opportunities, by requiring that investors need to be deemed "sophisticated" to participate in investments the SEC would conjecturally deem as risky. I would initiate the stance with restricting small-capitalization stocks¹⁴, then transition to restricting other investments with tremendous risks, such as the lottery and other forms of gambling. The argument of investment protection doesn't carry much significance, because if the goal was to mitigate risk, to protect U.S. citizens from squandering their capital¹⁵, then the last thing the government should be worried about is investing. I hesitate to mention such an explicitly bad allocation of money, such as the lottery because it's too easy to disparage, but I find it rather strange that individuals in the country are allowed to spend approximately 73.5 billion dollars in 2016¹⁶, despite the 1 in 302,575,350 odds of winning something like the Mega Millions jackpot, but can't invest into a private placement because of the risk.

The designation doesn't necessarily protect "unsophisticated" investors; the designation merely protects investors from particular investment options. The reasoning as to why the SEC needs to protect unsophisticated people from investment opportunities obligated to accredited investors is

¹³ The Halo Effect is a good example of how anyone can have their perception altered, simply due to prejudice.

¹⁴ See Spotlight on Microcap Fraud, available at: <https://www.sec.gov/spotlight/microcap-fraud.shtml>.

¹⁵ See U.S. consumer debt is now breaching levels last reached during the 2008 financial crisis, available at: <https://www.marketwatch.com/story/us-consumer-debt-is-now-breaching-levels-last-reached-during-the-2008-financial-crisis-2019-06-19>.

¹⁶ See We spend billions on lottery tickets. Here's where all that money goes August 24, 2017, available at: <https://money.cnn.com/2017/08/24/news/economy/lottery-spending/index.html>

puzzling, the designation of an accredited investor suggests that the investment opportunities obligated to "sophisticated" investors are so risky that they need to be restricted, but this is incorrect, More than \$3.0 trillion was reported to be raised in 2017 through all private offering channels¹⁷, so the inflow of capital insinuates that the private channels are not that risky, and if we look at the increase of Regulation D offerings¹⁸, which according to the SEC is "the primary tool for capital raising by smaller entities" we can see that the number of offerings has progressed steadily since 2009, in 2017 it increased 106.5% in comparison to 2009; however, something strange that is readily apparent is the lack of increase for public equity offerings which has only increased by 3.6% from 2009 to 2017. We can deduce from the increase of offerings that the hypothetical risk that must be protected against in the private markets is inaccurate, it would be rather strange if the most "sophisticated" of our society were investing more into something if it was unsafe. I am capable of being incorrect though, so my assumption may be wrong; however, my experience and research just always lead me to believe that when more money is being allocated in a particular investment it usually suggests that the investment is good, in terms of risk and potential profit. Disregarding my facetiousness, I was dismayed when examining the amount raised through private offering channels, I didn't expect it to be double the \$1.5 billion raised in the public markets, I definitely knew the amount was more, but not double. The data suggests that the market "unsophisticated" investors should be truly protected from is the diminishing gloomy public equity market, not the prosperous lively private markets.

Investors should be cognizant of what they are investing in and should comprehend the risk accompanying the investment; ensuring that investments are real and truthful in their practices, that should be the duty of the SEC, not risk mitigation. I follow the belief of meritocracy and this

¹⁷ See section 2 of Capital Raising in the U.S.: An Analysis of the Market for Unregistered Securities Offerings, 2009-2017, available at:https://www.sec.gov/files/DERA%20white%20paper_Regulation%20D_082018.pdf.

¹⁸ See section 3 of Capital Raising in the U.S.: An Analysis of the Market for Unregistered Securities Offerings, 2009-2017, available at:https://www.sec.gov/files/DERA%20white%20paper_Regulation%20D_082018.pdf.

designation of accredited investor conflicts directly with that concept. The issues of risk are what a meritocracy signifies, its what freedom signifies, not everyone succeeds, and not everyone fails, success is beholden to the individuals that rightfully obtained it, based on their merit. In the end, I just don't understand why investment options obstructed by the accredited investor designation carry more significance than permissible investment options, despite those permissible investment options having higher or equal risk; it's a perplexing question, that I simply can't answer. Or maybe I can, perhaps the designation of an accredited investor is merely an ostentatious label that doesn't protect anyone; people are usually inclined to believe something merely because it's already established, so maybe this designation continues to exist due to the endowment effect, its conceivable that value has been assigned to this designation, simply due to its age, despite it being quite senseless.

Lack of Sophistication:

Designating accredited investor status due to income and suggesting that because of that income they are of somehow more intelligent in terms of investment decisions, is fatuous to say the very least. I discovered the meaning of an accredited a couple of months ago because I had to research the legal documents for my fund; when I first read it I was dismissive of the designation, but I eventually began to question the validity of the position that is attributed to the designation. The designation affirms that wealth is equatable to intelligence, so I began to wonder if someone is feeble-minded, just because they do not meet a certain threshold of income? The answer is obviously no, but the designation affirms that it does, so if wealth is equatable to intelligence shouldn't we apply this to other matters immediately, should employees at the SEC be required to meet the income requirement? That may sound like a presumptuous question, but why should an unsophisticated individual be capable of administering investment protection when they are incapable of protecting themselves; they may indeed be educated, but they are technically not "sophisticated". I understand what the designation is trying to do, but it vastly oversteps, if this threshold of income accurately determines sophistication we should assign it to other rights as well, not just investing; it doesn't though, so we rightfully shouldn't.

Your organization has already reviewed the issues with assigning this status¹⁹, and have contemplated how to change it. I would think that if the definition was discussed, the abolishment would also be discussed, but I guess not. The issue is that you, the SEC, is comprised of human beings with imperfections and subjective opinions; it is unethical for humans to designate an arbitrary status to other humans, it becomes questionably unlawful when you take opportunities away because of that flippant status, especially in the United States, a country founded upon the belief of equal rights for its citizens. This designation demonstrates the problem with discrimination; it's not possible to apply a broad label to an entire group of people. In this instance of trying to conceive a broad label, its sophistication. We try to respond to discrimination with a strong benevolent response, and it's understandable we become offended and emotional, but logic usurps discrimination, always.

This designation of an accredited investor; a designation that is intended to protect an unsophisticated crowd, ironically damages that crowd. This designation has prohibited a large segment of this country to participate in coveted investment opportunities. The majority of this country is financially illiterate²⁰, and the inability to properly engage in investments which are limited to accredited investors worsens this quandary of illiteracy, people must be incentivized to seek information. The purpose of all information is to be applied when something isn't cherished it is unable to be augmented. Assimilation of conspicuously inapplicable information isn't a voracious act, it's merely senseless, and this designation makes financial information inapplicable and senseless to 90% of the population. I can't necessarily blame someone for not seeking information that they cannot use.

I unapologetically, and completely, dismiss your argument of a lack of sophistication to maintain the designation of an accredited investor and proclaim that this rule has given rise to

¹⁹ See Revisiting the "Accredited Investor" Definition to Better Protect Investors, Dec. 17, 2014, available at: <https://www.sec.gov/news/statement/spch121714laa.html>

²⁰ See Financial literacy: An epic fail in America, March 2, 2019, available at: <https://www.investmentnews.com/article/20190302/FEATURE/190229936/financial-literacy-an-epic-fail-in-america>

unsophistication. I find this moniker to be repugnant, antiquated, and inaccurate; I may have respect for the SEC, but I have none for this designation. The designation of accredited investors considers the clientele that I greatly desire as fools, or "unsophisticated" to be more precise, so I naturally find it to be disagreeable.

Unsophisticated Countermeasures:

Financial Illiteracy:

When it comes to market failures, it is not something that can be pinpointed directly; however, ostentatious literature masquerading as investment jargon, that is questionably illiterate, is very much to blame. Finance is indeed a complex topic; notwithstanding, it is the objective of the researcher to demystify the information they are surveying, especially if the researcher is providing a service to individuals that may be unacquainted with finance.

The quandary of ensuring that investors are informed is something that the SEC has prudently observed; this is an issue that would persist in the investment industry for the foreseen future. Article 12 of the GDPR²¹ intrigued me because it forces firms to clearly disclose any data collection, and it made me reflect on the lack of clarity in the investment industry, but this does not seem to be applicable. I do not want to advocate for something that I believe in without recognizing the subsequent issues; I understand how ambiguous information and an uninformed market is an unpropitious circumstance. However, I do not believe an issue is resolvable through ignorance, the information in the investment industry will continuously get more misleading, and people will become even more oblivious if coveted investments are restricted and if abysmal stock market participation continues.

²¹ See Article 12 EU GDPR, available at: <http://www.privacy-regulation.eu/en/article-12-transparent-information-communication-and-modalities-for-the-exercise-of-the-rights-of-the-data-subject-GDPR.htm>

I believe that the true resolution to financial illiteracy would be by allowing an "unsophisticated" market to participate in coveted investment opportunities, by introducing a market unacquainted with investing, it will be forcing professionals within the investment industry to provide uncomplicated and transparent information with their potential clients, if the information is incapable of being understood then it would only serve to push away customers. Investments capable of providing favorable contemporary strategies that are also capable of being understood simply and precisely will thrive; investments that are muddled would consequently fail. It would be the duty of those seeking outward investments to ensure that the information that they provide is easily understood, the goal should be to provide "sophisticated" information to the "unsophisticated". Demystification in the investment industry would benefit everyone, it helps researchers understand the information in which they assimilate even further, and it enables people who would traditionally have no input to provide an opinion.

A good example as to why demystification would universally benefit the investment industry is computers²². Computers were a complex entity²³, something that was intrinsic to the few that took the time to understand them, which was eventually simplified to adhere to the public. If computers were created solely for the sophisticated of the computer industry, we would not have the technology we have now. The current form of investing is antiquated because it does not need to be updated, who exactly does the information need to be simplified for? The permissible clientele, the "sophisticated", are given the moniker of accredited investor because they are assumed by the SEC to be already capable of understanding complicated information in the investment industry; therefore, there is no need to modernize communication, there is no need to progress. There's no immediate solution to financial illiteracy, the only solution is enabling an open market, fixing financial illiteracy would be advantageous in an open market, people such as myself would strive to capitalize on the issue because of the return on investment. If computers

²² See The computer revolution: how it's changed our world over 60 years, available at: <https://www.weforum.org/agenda/2016/06/the-computer-revolution-how-its-changed-our-world-over-60-years>

²³ See When was the first computer invented?, available at: <https://www.computerhope.com/issues/ch000984.htm>

were sanctioned solely to accredited investors, it would not have progressed; innovation is derived from attempting to progress.

Bad Characters:

One of the concerns I delineated earlier was against bad characters. I believe the issue of bad characters targeting "unsophisticated" investors can be remedied by precautionary measures and harsher punishments.

It's common for individuals to question why people were not sent to prison over the financial crises; in my eyes, sending a plethora of bankers to jail, would be similar to sending football players to jail for assault due to causing CTE. However, that does not imply that I presume innocence, I believe the bankers conveyed negligence and failed to act as a fiduciary, which was spurred by complacency. These bankers have shown to be inadequate in their services, and reprehensible behavior shouldn't be allowed without repercussions. The world should not be catered for fools and when alterations are created to make it so, distortions occur. I have a tremendous amount of respect for some individuals in my industry, but many of whom failed and failed terribly, costing this country trillions of dollars²⁴.

The investment industry should not be filled with the incompetent or the dishonorable, it may seem like a grandiose stance, but money is intrinsic to humans, to me the investment industry is perhaps the most important industry there is, therefore, it seems quite foolhardy that those who failed as a fiduciary are capable of persisting in this industry despite its importance. Thus, in order to help prevent bad characters from arising, the SEC should mandate individuals that have at any point failed to act as a fiduciary, to abide by the current designation and not permit them to target non-accredited investors. This also includes entire companies or companies that employ charged employees for the financial crisis²⁵.

²⁴ See The Social and Political Costs of the Financial Crisis, 10 Years Later, available at: <https://hbr.org/2018/09/the-social-and-political-costs-of-the-financial-crisis-10-years-later>

²⁵ See SEC Enforcement Actions, available at: <https://www.sec.gov/spotlight/enf-actions-fc.shtml#keyStatistics>

Background:

I am typing this as co-founder of Umbra Fund; my name is Jeremiah Blear. I have been researching stocks since the age of fifteen, along with my business partner, Michael Thomson. Investing is something that I truly care about because it is my craft, I enjoy researching stocks, and I wish to improve at it for the years to come; that same sentiment is applicable to my business partner as well, so we decided to open a hedge fund.

After high-school I was contemplating whether to take the journey of becoming a transplant surgeon or to continue researching stocks; I chose the latter for a multitude of reasons, it seems like a rash decision, but for my life, in particular, it was optimal. I don't hold much sentimentality for my childhood, I was raised in a single mother household of two, then a military family, lastly a single mother household of four; these sudden changes made it difficult to adjust, I went to approximately 13 schools growing up, despite being quite adept, I was unable to cling onto much, such was not the case for stocks. When I say that investing is my passion, I mean it, I didn't research stocks to impress people, to make money, or any other superficial reason; I appreciate stocks because it's a constant, and I intend to keep it that way, that's why I yearned to open a hedge fund.

Nevertheless, I have to garner investors, and my path in investing is unpropitious in terms of investor acquisition, I may have grown as an individual substantially, but nepotism and cronyism are glaring in my industry. I researched over a hundred Form ADVs, and researched many financial advisors as well; I did this to discover how they garnered their investors. I theorized prior to opening a fund that it would be difficult to garner investors, due to me not attending an ivy league school, not being born in a predominant family, and not having any connections to the financial industry; I can surmise after my research that my simple theorization was correct. It's

unfortunate, but I don't really care; there are other things that I desire, and I understand that I must take an unconventional path to obtain what I want, so I don't have the right to complain.

Plenty of individuals that are more talented, more intelligent, and more beautiful than I have failed, proficiency will not guarantee success, so it is my responsibility to create serendipity. My business partner and I were both California natives but moved to the state of Texas because of the taxes, regulations, and favorable data concerning hedge funds²⁶. I want to serve a market that can benefit from having their money managed by a hedge fund, the non-accredited investors, this market doesn't like my competition and has good reason not to due to data displayed by the Survey of Consumer Finances. Wall street and the “sophisticated” market hurt them and have recovered prosperously from the financial crises, whereas they are still struggling. It is not my place to say who's right or wrong, however, I will always call out baseless and unjust discrimination promoted by the federal government when confronted.

Concerns and Recommendations:

Stock Market Participation

As previously stated, my services are only applicable to those given the status of an accredited investor, with a 506(b) fund I can take on 35 non-accredited, but those investors must be deemed as sophisticated, and the fund will be unable to generally solicit. The service of providing investment administration would seemingly be available to anyone; we have services for nearly everything due to modern technology, but not for investment administration. Having a brokerage is similar to fixing your car or renovating your home, people are capable of accomplishing these tasks with sufficient research, but these tasks are time intrusive, and people would much rather prefer if a third-party that is experienced with the endeavor to complete the task for them. It

²⁶ See page 10 of “Preqin Special Report:Hedge Funds in the US”, October, 2016, available at: <https://docs.preqin.com/reports/Preqin-Special-Report-Hedge-Funds-in-the-US-October-2016.pdf>.

would be strange if mechanics, car services like Uber, or food services like Chipotle were solely assigned to a specific group of people. I don't view investment administration any differently from the aforementioned services.

This discrepancy of stock market participation between higher and lower-income families is alarming²⁷, the difference between the bottom 30% and the top 10% in 2016 is 75%, that difference is reprehensible, as an investment manager it is my duty to resolve that difference, and I want to do so by providing my services to these families. Unfortunately, I cannot provide investment services to these people, and that is because they are deemed as non-accredited investors. I personally desire the participation to be equal; the amount allocated between families would be different of course, but families should benefit from the country that they live in and contribute to. Americans contributed and built companies like Amazon, Apple, and Facebook; however, very few of them have reaped the benefits from contributing to these companies. It's important that stock market participation is kept high and consistent²⁸. People have this feeling of stagnation when they see companies in which they interact with daily continue to grow and see predominant figures become wealthier, while they themselves are incapable of growing their wealth.

The top 10% of families owned 84% of stocks in 2016, stock market participation may be low, but the ownership truly displays the egregious discrepancy that persists. The S&P 500 rose quite a bit in 2017, approximately 19%, despite the decent year for stocks it is inapplicable to the majority of Americans, this problem will continue to occur, despite the performance of stocks the

²⁷ See Table 3: Stock Market Participation and the availability of employer-sponsored retirement plans in "A Wealthless Recovery? Asset Ownership and the Uneven Recovery from the Great Recession", September 13, 2018, available at: <https://www.federalreserve.gov/econres/notes/feds-notes/asset-ownership-and-the-uneven-recovery-from-the-great-recession-20180913.htm>

²⁸ Since the financial crises, stock market participation for the bottom 60% of families has declined. See Table 3: Stock Market Participation and the availability of employer-sponsored retirement plans in "A Wealthless Recovery? Asset Ownership and the Uneven Recovery from the Great Recession", September 13, 2018, available at: <https://www.federalreserve.gov/econres/notes/feds-notes/asset-ownership-and-the-uneven-recovery-from-the-great-recession-20180913.htm>

majority of Americans will not benefit. I was contemplating whether or not to discuss popular stocks that most Americans are knowledgeable of, but it's honestly meaningless, as I said earlier, the majority of Americans will not benefit, so the performance of stocks is irrelevant; the only relevant matter at this time is increasing stock market participation.

By restricting this service other forms of investments arise, investment choices that are numerically foolish, these other choices may be referred to as gambling, but I assert that they are still investments²⁹, these choices are approached with the belief that they are capable of garnering a profit, a ridiculous assumption, but they are the literal definition of investing. I apologize for using an obvious scapegoat once again, but it's a good reference, the lottery is an investment that has an inadequate chance of garnering a profit and has an annual market cap of approximately \$70 billion³⁰, the market cap is almost that of companies such as Broadcom, Lockheed Martin, American Express. I noted earlier that I found it ludicrous that individuals are capable of participating in fruitless endeavors such as the lottery, but are incapable of investing in a hedge fund; they are both investments, regardless of the money contributed.

The economic benefits of interjecting our markets with more capital can drive company growth and increase personal wealth; the interjection of capital is accomplishable by allowing hedge funds to solicit non-accredited investors, thus increasing stock market participation and attempting to equalize stock ownership among all households. According to the FED "Most families in the Bottom 90 only hold stocks through defined contribution retirement accounts, such as 401(k)s or IRAs." A reason as to why non-accredited investors can prosper most from a hedge fund is because standardized and well-loved investment ideas such as an index fund or standard diversification will result in minimal growth in income; these traditional investment approaches are indeed great but are more applicable to large amounts of capital. By introducing a

²⁹ See <https://www.merriam-webster.com/dictionary/investment>

³⁰ See Sales of state lotteries in the United States from 2009 to 2016 (in billion U.S. dollars), available at: <https://www.statista.com/statistics/215265/sales-of-us-state-and-provincial-lotteries/>

new segment, other forms of hedge funds will arise; adding liquidity to different stocks in order to provide ample gain relative to smaller contributions.

According to Prequin, The US is the leader of the hedge fund industry across the globe, accounting for 72% of the approximate \$3.6tn in global assets as of 31 May 2018. Hedge funds are highly sought after by the "sophisticated"; I even recall the majority of Ivy leagues having at least 20% of their endowment allocated in hedge funds, with Harvard having 33% allocated³¹. I can provide statistics showing how hedge funds are proven and desired; however, my point is that hedge funds are highly coveted investment vehicles, and I merely want this flourishing industry to be unrestricted by the accredited investor designation so that the bottom 90% of households can participate in the stock market by using hedge funds.

Creation & Transfer of Idiosyncratic Valuations:

The concern that I have with valuations created in the private markets is that a particular segment solely gets to value it, whether or not the outcome would be the same if the designation of an accredited investor is removed is irrelevant, non-accredited investors should be able to have influence over the private markets. The SEC claims to be designed to "protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation"; however, the private markets are not fair and are not efficient because the accredited investor designation segregates investors, and capital formation is being stalled by preventing non-accredited investors from participating in coveted investment opportunities. I believe that fair markets are synonymous with efficient markets, this belief is debatable, so I am not suggesting that my opinion is absolute; I am merely stating that in order for markets to be efficient³² they should be fair.

³¹ See Harvard Piles Into Hedge Funds as New Chief Overhauls Endowment, May 6, 2019, available at: <https://www.bloomberg.com/news/articles/2019-05-06/harvard-piles-into-hedge-funds-as-new-chief-overhauls-endowment>. There is so much more information regarding how endowments or retirement funds are allocating their capital to hedge funds, very interesting material, but irrelevant; the point is that major institutions view hedge funds positively, making them "coveted" investment opportunities.

³² See What Is Market Efficiency?, available at: <https://www.investopedia.com/insights/what-is-market-efficiency/>

The amount of money being culminated in the private markets by a special group is an issue because the information in the private market is vague³³ and companies are given high valuations, then that valuation is transferred to the public with the only opportunity for the public to invest to be at the company's IPO. I don't think by allowing non accredited investors the opportunity to invest it would prevent ridiculous valuations attributed to unstable companies, perhaps it will worsen; notwithstanding, the private market should be fair, and that means to allow non-accredited investors to participate.

Public equities should be the preferred option, not the only option to non-accredited investors. Adding more liquidity to the public markets would disincentivize staying private, this would be accomplishable by increasing stock market participation. When companies are private it erases a sense of transparency and results in absurd valuations. The public market is preferable due to the accessibility and is prudent due to the information required by the SEC³⁴.

In conclusion, the private markets should be fair, while the public market should be accurate, liquid, and innovative.

³³ Private companies are not required to disclose financial information to the public.

³⁴ See WHAT ARE MY COMPANY'S OBLIGATIONS AFTER ITS INITIAL PUBLIC OFFERING?, available at: <https://www.sec.gov/smallbusiness/goingpublic>

Closing Comments:

You have served well and diligently trying to protect investors, longer than I have been alive, seven months to be precise, and I truly do respect that, but we have opposing views on the matter. History was my favorite subject growing up, and what I took away, is that perhaps if people were capable of putting aside their opinions and ambitions to mitigate differences, many terrible things could have turned out better, or maybe avoided. The SEC will likely preserve the designation of an accredited investor, but I have no obligation to blindly abide by it and will subsequently do everything in my power to remove it; however, instead of being selfish, and ignoring the ramifications of my actions, my true request to the SEC is to ask as to why you believe this designation shall remain and why I should accept it. I'm susceptible to change; perhaps there's something that I don't know, and I am willing to acknowledge that. Before typing this, I contemplated the approach I should take, and I decided to be as transparent as possible, you know who I am, you know my goals, and my philosophy; I hope there can be an exchange of transparency.