



ALUMNI
VENTURES
GROUP

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Vanessa Countryman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Notice of Proposed Exemptive Order Granting Conditional Exemption From the Broker Registration Requirements of Section 15(a) of the Securities Exchange Act of 1934 for Certain Activities of Finders, Release No. 34-90112; File No. S7-13-20 (the “Finders Proposal”)

Dear Secretary:

Alumni Ventures Group, LLC (“AVG”) appreciates the opportunity to offer our views on the above-referenced proposal to issue an exemptive order granting a conditional exemption from the broker-dealer registration requirements for certain activities of finders.¹ AVG is a new type of venture capital firm, designed to meet the needs of the individual accredited investor by providing them access to smart, simple venture portfolios that were previously available only to large institutional investors. Believing that increasing avenues for access to start-up capital is crucial for America’s capital markets and a vibrant economy, AVG supports the progress made by the U.S. Securities and Exchange Commission (“SEC” or “Commission”) in proposing the Finders Proposal. For the reasons stated below, AVG supports the SEC’s adoption of the Finders Proposal and believes it could be expanded in certain respects.

Capital Raising Difficulties for Small Businesses

As the Commission noted in the Finders Proposal, small business investors play a critical role in fostering the growth and success of small companies.² Yet, small businesses frequently encounter challenges connecting with investors. For instance, many small businesses rely on exempt offerings under the Securities Act of 1933 (“Securities Act”) such as those under Regulation D (e.g., Rule 506(b), Rule 506(c)).³ However, it can be difficult to find broker-

¹ Notice of Proposed Exemptive Order Granting Conditional Exemption From the Broker Registration Requirements of Section 15(a) of the Securities Exchange Act of 1934 for Certain Activities of Finders, 85 Fed. Reg. 64,542 (Oct. 13, 2020) (“Finders Proposal”), available at <https://www.govinfo.gov/content/pkg/FR-2020-10-13/pdf/2020-22565.pdf>.

² *Id.* at 64,543.

³ *Id.* (citing Final Report of the Securities and Exchange Commission Advisory Committee on Small and Emerging Companies (“ACSEC”) (Sept. 2017), available at <https://www.sec.gov/info/smallbus/acsec/acsec-final-report-2017-09.pdf>; U.S. Department of



dealers that facilitate exempt offerings such as those under Rule 506(c). This is especially true as the number of registered broker-dealers has been decreasing, and few registered broker-dealers are willing to raise capital in small transactions.⁴ Thus, there is a void in capital raising opportunities for small businesses, which in turn, deprives capital from those who need it most.

Difficulty of Investors in Appropriately Accessing Private Transactions

Historically, individual investors have had limited access to private transactions and have been crowded out by institutional investors. Diversification is an important investor protection as it can limit downside risk, particularly when compared to an investment in a single company. AVG offers individual investors access to well-diversified portfolios of investments in early stage companies. Permitting Finders to also offer these types of vehicles in the context of small businesses generally would further the abilities of such small business entities in accessing capital while also providing the important protection of diversification to individual investors seeking to make such investments.

The Finders Proposal Makes Key Advances in Capital Markets While Preserving Critical Investor Protection Elements

The SEC's Finders Proposal would provide a necessary opportunity for the facilitation of capital fundraising for small businesses while still imposing necessary investor protections. Under the Finders Proposal, a natural person may assist in raising capital and receive transaction-based compensation under one of two tiers without having to register as a broker-dealer under the Securities Exchange Act of 1934 (the "Exchange Act"). Under both tiers, the potential investors must be accredited investors.⁵ Tier Two in particular would allow a finder to engage in more than one capital raise in twelve months if the finder provides certain disclosures to investors.⁶ In addition to the disclosure obligation for Tier Two finders, the Finders Proposal further protects investors by ensuring that anti-fraud provisions such as Section 10(b) and Rule 10b-5 thereunder still apply.⁷

By allowing intermediaries to assist in raising capital without burdensome broker-dealer registration requirements, the Finders Proposal would help facilitate access to capital for companies and access to venture capital

Treasury, A Financial System that Creates Economic Opportunities: Capital Markets (Oct. 2017), available at <https://home.treasury.gov/system/files/136/A-Financial-System-Capital-Markets-FINALFINAL.pdf>.

⁴ FINRA, 2020 FINRA INDUSTRY SNAPSHOT 11 (2020),

<https://www.finra.org/sites/default/files/2020-07/2020-industry-snapshot.pdf>.

⁵ 17 C.F.R. § 230.501(a).

⁶ 85 Fed. Reg. at 64,546-50.

⁷ *Id.* at 64,549-50; *see also* 15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5.



opportunities for smaller, accredited investors that are not institutional funds. By limiting the availability of the Finders Proposal to accredited investors, the Finders Proposal provides sufficient limitation so that Tier Two finders would be able to conduct Rule 506(b) and Rule 506(c) offerings. As noted above, this would fill a void in the capital raising market place as well as furthers the SEC's mission of protecting investors and facilitating capital formation.⁸

The Finders Proposal Should not be Limited to Natural Persons

As proposed, the Finders Proposal limits eligible finders to be “natural persons.”⁹ In soliciting comments, the Commission asked whether this limitation on “natural persons” is appropriate.¹⁰ The finders exemption should not be limited to only natural persons since no further policy purpose is served by limiting the proposed finders exemption to only natural persons. The investor protections incorporated into the proposal are not dependent on whether the finder is a natural person or an entity. For instance, the investor must still be an accredited investor. For a Tier Two finder, certain disclosures must be made. The anti-fraud provisions still apply and no finder may be statutorily disqualified.¹¹ Therefore, AVG requests that the SEC, in finalizing the Finders Proposal, expand the exemption so that the finder may be an entity in addition to a natural person.

Conclusion

Thank you for the opportunity to offer our comments to this Finders Proposal. Please feel free to contact me with any questions or follow up at [REDACTED] or by email at [REDACTED].

Sincerely,

Michael Collins
CEO

⁸ SEC. & EXCH. COMM'N, ABOUT THE SEC (last visited Nov. 12, 2020), <https://www.sec.gov/about.shtml>.

⁹ 85 Fed. Reg. at 64,546.

¹⁰ *Id.* at 64,550.

¹¹ *See* 15 U.S.C. § 78c(a)(39).