DARA ALBRIGHT MEDIA

8920 Eves Road #768772, Roswell, GA 30076 | 770-696-6986 | dsa@daraalbrightmedia.com

January 31, 2020

Vanessa A. Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: Amending the "Accredited Investor" Definition / File No. S7-25-19

Dear Ms. Countryman,

I appreciate this opportunity to comment on the Securities and Exchange Commission's proposed amendments to the definition of "accredited investor" as part of its "initial step in a broader effort to consider ways to harmonize and improve this framework" and to "provide a foundation for its ongoing efforts to assess whether its exempt offering framework, as a whole, is consistent, accessible, and effective for both issuers and investors."

Since 1992, I have been working in the financial industry, on behalf of both issuers as well as investors, in various capacities including retail sales, institutional sales, IPO execution, trading, fintech, crowdfinance and digital finance. During the last 28 years, while wearing these many hats, I had the opportunity to experience the markets at their best and at their worst as they evolved through rule changes and technological progression. Because of this diverse financial background, I had the opportunity to appreciate the impact of these regulatory and technological shifts through the lenses of both the issuer as well as the investor during a variety of market conditions.

Since its introduction in 2015, I have been a vocal supporter of Congressman David Schweikert's bill, H.R. 2187 (the Fair Investment Opportunity for Professional Experts Act), which was aimed at expanding the definition of "accredited investor" to include certain natural persons, regardless of whether they meet the income and net worth requirements under Rule 501(a) under the Securities Act.

In addition to having had published numerous articles detailing ways in which fintech can be utilized to foster diversification, mitigate investment risk, facilitate capital formation, democratize access to financial products and ultimately help diminish wealth gaps, I have also written extensively on some of the hindrances of the accredited investor rule including a 2016 research paper exploring the constitutionality of the accredited investor rule and highlighting the macroeconomic benefits of broadening access to alternative asset classes.

The purpose of this letter is to share some of my experiences, findings and conclusions with the Commission as it reexamines its accredited investor rule.

Investor-base Diversification Can Stabilize Markets, Strengthen Economies and Foster Innovation

Most people – even those without financial industry expertise - recognize the value of diversification. The Modern Portfolio Theory (MPT), an investment philosophy developed in 1952 by Harry Markowitz and premised on the notion that portfolio returns can be maximized by spreading risk across many different investments, continues to be one of the most important and effective strategies of contemporary investing. In fact, an estimated $7 trillion in institutional assets is currently invested in accordance with the methodologies of the MPT.

However, what many may not realize is that diversification is just as essential to issuers as it is to investors. A lesser addressed form of diversification called, "investor-base diversification" is a process used by issuers to help mitigate price volatility by possessing vast and diverse cap tables.

While it may initially seem much more expedient for an issuer to raise capital from a very small group of larger investors, the fact us that there is much less uncertainty in having 100,000 different $10 investors than there is in possessing one $1,000,000 shareholder. Essentially, the smaller the shareholder base, the more thinly traded the security and the greater the risk of a price collapse due to factors completely unrelated to the business – ie: a hedge fund's need to liquidate its position simply to cover loses from a disparate investment. One sell order for a thinly-traded small cap from a sizeable institutional holder could collapse a company's market capitalization within seconds while the impact from Jane Doe dumping her 100 shares to fund her root canal is inconsequential. Simply put: the larger and more diversified the investor base, the more stable its market.

The consequences go far beyond market capitalization and stability. A sizeable seller, in a limited pool of investors, not only puts tremendous pressure on the stock price, it could distract management from its two most crucial roles: innovating and job creation. Expansive and diverse investor bases can help ensure that assets are valued, more appropriately, based on their fundamentals as opposed to isolated market events.

Because the broader economic implications of "investor-base diversification" are seldom discussed, not enough companies see the advantages in possessing a widely diverse cap table. Some might argue that an expansive cap table is too difficult to manage. Others may fear that having too many small retail investors on the cap table will be an obstacle to obtaining future venture capital financing. Then, there are those who believe that it is simply easier and less cumbersome to raise capital from a small band of large investors than it is to pool tiny increments from a massive crowd. Technological achievement renders many of these apprehensions unfounded.

FinTech is Obsoleting the Need for the 38 Year-Old Accredited Investor Rule

It was a very different world in 1982 when the SEC promulgated Reg D, and in doing so established the accredited investor definition. Four decades ago, the dearth of technology kept both trading commissions as well as investment minimums steep, making it impossible for small investors to self-diversify across many asset classes.

Those days are long gone.

Today, technology has significantly reduced the cost of financial transactions, making micro-investing a reality. Even the top discount brokerage firms have gone so far as to eliminate commission trading for conventional asset classes altogether. At the same time, technology has made it both simple and economically feasible for issuers to accommodate a sizeable number of micro-shareholders.

Unlike decades ago, when investments demanded high minimums, today's investors don't need sizeable bank accounts or even intermediaries to access investment products. Particularly with the advent of digital savings apps, modern investors are freely allocating as little as $10 to an investment. For less than the price of two grande Starbuck's lattes, this new generation of investors can be well on their way to building well diversified retirement portfolios that include exposure to alternative asset classes. That is the power of technology.

Yet, this is still merely the tip of the iceberg.

Blockchain technology is about to turn the alternative asset universe on its head as well as give rise to the greatest diversification opportunity in the history of mankind. In addition to helping both expedite transaction speed and increase transparency, blockchain is presently on the verge of making *all* asset classes more liquid and accessible through a modern process known as Asset Tokenization. Asset Tokenization is essentially the process of converting all kinds of physical assets (such as real estate, art, wine, cars) into digital assets on blockchain. In doing so, it would facilitate the fractional ownership of previously illiquid and pricey assets, producing an endlessly proliferating universe of investment options.

As portfolios and investor-bases grow ever more diversified, asset classes overall will become increasingly less correlated with one another, making portfolio allocation models even that much more effective.

The sweeping economic benefits of investor-base diversification cannot be overstated. It will result in better products, stronger businesses, more jobs and greater confidence in the capital markets. In fact, it could very well become the most productive risk-mitigating strategy since the advent of the 1952 Modern Portfolio Theory.

In amending or eliminating the accredited investor rule and facilitating widespread forms of diversification, the SEC possesses the ability to do more to protect investors, stabilize markets and foster innovation than in its 87-year history.

Thank you for your consideration of my comments on this request. If I can answer any questions or provide any further information, please do not hesitate to contact me at 770-696-6986 and/or dsa@daraalbrightmedia.com.

Very truly yours,

Dara S. Albright
President,
Dara Albright Media