

Are you an Accredited Investor and what is the role of Accredited Investors?

As companies raise capital, the accredited investor definition heavily influences their pool of potential investors, and as investors, the definition determines their eligibility to invest in many early-stage startups. A number of federal securities laws limit participation in offerings to accredited investors or contain restrictions on nonaccredited investors' participation.

What are the requirements to become accredited?

Accredited investors (i.e., natural persons) are determined based on their wealth, income, and other financial sophistication measurements.

Financial Criteria

- Net worth over \$1 million, excluding the primary residence (individually or with spouse or partner)
- Income over \$200,000 (individually) or \$300,000 (with spouse or partner) in each of the prior two years, and reasonably expects the same for the current year

Professional Criteria

- Investment professionals in good standing holding the general securities representative license (Series 7), the investment adviser representative license (Series 65), or the private securities offerings representative license (Series 82).
- Directors, executive officers, or general partners (GP) of the company selling the securities (or of a GP of that company).
- Any “family client” of a “family office” that qualifies as an accredited investor. For investments in a private fund, “knowledgeable employees” of the fund.

Please see the summary visual on the next page.

Qualified purchaser

What it means

A Qualified Purchaser is an individual that owns \$5mm+ in investable assets, an individual or entity which owns and invests \$25mm+ in private capital or a trust sponsored by Qualified Purchasers or entity owned by Qualified Purchasers.

Investable assets



\$5M

(not including primary residence)

OR

Owns and invests



\$25M

Individual
(in private capital)



Trust sponsored
or entity owned
(by Qualified Purchaser)

Qualified client

What it means

A qualified client has investable assets of \$2.2mm+ or \$1.1mm+ invested with a specific Advisor.

Investable assets



\$2.2M

OR

Invested with specific advisor



\$1.1M

Accredited investor

What it means

An accredited investor has an income of \$200k+ for each of the last two years (individual), income of \$300k+ for each of the last two years (couple) or investable assets of \$1mm+.

Investable assets



\$1M

(not including primary residence)

OR

Income exceeds



\$200K

Individual
(each of last 2 years)



\$300K

Joint with spouse
(each of last 2 years)

How can entities become accredited?

The structure or assets of the entity may determine whether the entity qualifies as an accredited investor.

Investments

Entities owning investments in excess of \$5 million.

Assets

The following entities with assets in excess of \$5 million:

- Corporations, Partnerships, LLCs
- Trusts, 501(c)(3) organizations
- Employee Benefit Plans
- “Family office” and any “family client” of that office.

Owners as Accredited

Entities where all equity owners are accredited investors.

Investment Advisors

Investment advisers (SEC- or state-registered or exempt reporting advisers) and SEC-registered broker-dealers

Financial Entities

A bank, savings and loan association, insurance company, registered investment company, business development company, or small business investment company, or rural business investment company

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