

Securities Alert

SEC Further Revises Accredited Investor Net Worth Standard

December 29, 2011

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the staff of the Securities and Exchange Commission (SEC) previously amended its interpretation of the definition of “accredited investor,” as it relates to individuals, to exclude from an individual’s net worth the value of the individual’s primary residence. The SEC staff also excluded any debt secured by the residence from the net worth calculation to the extent that the debt was less than or equal to the estimated fair market value of the primary residence.

On December 21, 2011, the SEC amended the individual net worth standard in Regulations A and D to (i) codify the above interpretations, (ii) expand the liabilities taken into account in the net worth calculation and (iii) provide for a limited grandfathering for persons investing pursuant to preexisting rights. The amended accredited investor definition will now include as a liability in determining an individual’s net worth any increase in debt secured by the investor’s primary residence occurring within the 60 days prior to the date of the investment (unless the increase was as a result of the acquisition of the primary residence). The amended rule will also “grandfather” investments in securities pursuant to rights, such as a preemptive right or right of first offer, by persons who held the relevant right on or prior to July 20, 2010, if the holder of the right (i) owned securities issued by the same issuer on or prior to such date and (ii) was an accredited investor on the basis of net worth at the time that he or she acquired the right.

Issuers should ensure that their accredited investor questionnaires or subscription documents reflect these recent changes. The amendments to the accredited investor standard will be effective 60 days after publication in the *Federal Register*. To read the adopting release and the amendments to the accredited investor standard, please click [here](#).

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