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Immediate Changes to Accredited Investor Criteria

Corporate Update
07/28/10

On Wednesday, July 21, 2010, President Obama signed into law the **Dodd-Frank Wall Street Reform and Consumer Protection Act** (the "Act"). Most of the provisions of the Act have a delayed effective date or are subject to further regulatory action. However, one important change, which affects our clients who raise capital through private securities offerings to accredited investors, is **EFFECTIVE IMMEDIATELY**.

Henceforth, the definition of "accredited investor" in SEC Regulation D is modified to exclude from the calculation of an individual investor's net worth, for purposes of satisfying the \$1 million minimum requirement, the net value of his or her primary residence.

The alternative test for individuals (\$200,000 income or \$300,000 joint income with spouse) is unchanged, as are the tests for determining whether entities are accredited investors. However, the Act authorizes the SEC to review the entire definition of accredited investor within one year and to make ongoing reviews of the definition every four years. We will monitor further developments in this area and notify our clients of future changes.

RECOMMENDED ACTION: *If you are currently offering securities to accredited investors in a private placement, please contact us to update your offering materials and subscription documents. The change is not retroactive to investors admitted prior to the effective date of the Act, so there is no need to reconfirm accredited investor status with existing investors.*

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