

## What does it mean to be an accredited investor?

Under the federal securities laws, a company or private fund may not offer or sell securities unless the transaction has been registered with the SEC or an exemption from registration is available. Certain securities offerings that are exempt from registration may only be offered to, or purchased by, persons who are accredited investors. One principal purpose of the accredited investor concept is to identify persons who can bear the economic risk of investing in these unregistered securities.

The term “accredited investor” means any person who comes within any of the following categories, or who the issuer reasonably believes comes within any of the following categories, at the time of the sale of the securities to that person:

- (1) Any of the following:
  - (i) a **bank** as defined in section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity;
  - (ii) a **broker or dealer** registered pursuant to section 15 of the Securities Exchange Act of 1934; any insurance company as defined in section 2(a)(13) of the Act;
  - (iii) an **investment company** registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that Act;
  - (iv) a **Small Business Investment Company** licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958;
  - (v) a **plan** established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000;
  - (vi) an **employee benefit plan** within the meaning of ERISA if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- (2) Any **private business development company** as defined in section 202(a)(22) of the Investment Advisers Act of 1940;
- (3) Any **organization described in section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership**, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;
- (4) Any **director, executive officer,<sup>1</sup> or general partner** of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;

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<sup>1</sup> “Executive officer” means the president, any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy making function, or any other person who performs similar policy making functions for the issuer. Executive officers of subsidiaries may be deemed executive officers of the issuer if they perform such policy making functions for the issuer.

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(5) Any **natural person** whose individual net worth, or joint net worth with that person's spouse, exceeds \$1,000,000.

(i) Except as provided in (5)(ii) below, for purposes of calculating net worth under this paragraph (5):

(A) The person's primary residence shall not be included as an asset;

(B) Indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and

(C) Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of securities shall be included as a liability;

(ii) Paragraph (5)(i) above will not apply to any calculation of a person's net worth made in connection with a purchase of securities in accordance with a right to purchase such securities, provided that:

(A) Such right was held by the person on July 20, 2010;

(B) The person qualified as an accredited investor on the basis of net worth at the time the person acquired such right; and

(C) The person held securities of the same issuer, other than such right, on July 20, 2010.

(6) Any **natural person** who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(7) Any **trust**, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in §230.506(b)(2)(ii); and

(8) Any **entity** in which all of the equity owners are accredited investors.

I HAVE READ AND UNDERSTOOD WHAT AN ACCREDITED INVESTOR IS. I FALL IN THE CATEGORY OF ACCREDITED INVESTOR WHICH I CONFIRM WITH MY SIGNATURE BELOW:

PRINT NAME: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_