

## **Unregistered Securities & List of all definitions of Accredited Investors, Individuals and Others:\*\*\***

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The Securities Act of 1933 was enacted to curb the wild speculation that was partially responsible for the 1929 stock market crash. Among other things, it provides for registration of securities. You might not think that private mortgage investments, or limited partnerships organized for the purpose of supplying funding, are securities. But, in many instances they meet the definition of securities. The registration process can be extensive and expensive, so "the Act" provides for a number of registration exemptions in various situations.

Most of the permitted exempt offering must still meet a number of almost identical requirements: The offerings must not be publicly offered or generally marketed; there must be a pre-existing relationship between, the investors and those making the offer; and the investors must be "accredited" and, thus, in a good financial position to handle the perceived, increased risk over traditional investments...for which there is an expectation of a greater return. As noted below, a limited number of investors can be non-accredited. But, they must still be experienced. Accredited investors are defined as:

- a bank, insurance company, registered investment company, business development company, or small business investment company;
- an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of \$5 million;
- a charitable organization, corporation, or partnership with assets exceeding \$5 million;
- a director, executive officer, or general partner of the company selling the securities;
- a business in which all the equity owners are [accredited investors](#);
- a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds \$1 million at the time of the purchase;
- a natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year; or
- a trust with assets in excess of \$5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

A limited number of non-accredited, but "experienced" investors are allowed to subscribe to some unregistered limited partnerships, private placements, etc. An experienced investor is defined as one who:

"has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the prospective investment. This requirement of sufficient business experience and knowledge can be satisfied if the (investor) has a representative who is capable of evaluating the merits and risks of the investment..."

\*\*\*Source: Securities Act of 1933, as amended, Regulation D, Section 501, et al