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[Legal Update: Dodd-Frank Redefines "Accredited Investor" and the SEC Provides New Guidance](#)

This blog posting is an update to our blog posting entitled [Legal Update: Dodd-Frank Redefines "Accredited Investor"](#), in which we explained that Section 413(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act amended the definition of "accredited investor" under Rule 215 of the Securities Act of 1933 and Rule 501 of Regulation D to exclude the value of an investor's primary residence from the \$1 million net worth calculation.

Update

The SEC released further guidance regarding the definition of the term "value" in the form of Division of Corporation Finance, Compliance and Disclosure Interpretations, Q. 179.01. Section 413(a) of Dodd-Frank does not define the term "value," and it does not address the treatment of mortgage and other indebtedness secured by the person's primary residence for purposes of the net worth calculation. The SEC's guidance states that, pending implementation of SEC rule changes mandated by Dodd-Frank, the amount of indebtedness secured by the primary residence up to its fair market value may also be excluded together with the value of the person's primary residence. The guidance also states that where the indebtedness secured by the residence exceeds the value of the home, the excess should be considered a liability and deducted from the investor's net worth.

As noted in our previous blog posting, despite the instruction to the SEC to adopt rules implementing Section 413, the alteration to the definition of "accredited investor" pursuant to Dodd-Frank was effective on enactment of Dodd-Frank. Accordingly, issuers relying on Section 4(6) of the Securities Act or Rule 505 or 506 of Regulation D should ensure their disclosure and subscription documents reflect the new definition.

What if you have questions?

For any questions or more information on these or any related matters, please contact any attorney in the firm's corporate and securities practice group.

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