

Corporate & Financial Weekly Digest

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SEC Issues a New "Accredited Investor" CDI

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On July 23, the Securities and Exchange Commission's Division of Corporation Finance issued a new Compliance and Disclosure Interpretation (CDI) in connection with the change to the definition of "accredited investor" under Rules 215 and 501 of the Securities Act of 1933 mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act). As reported in the July 23 edition of the *Corporate and Financial Weekly Digest*, Section 413 of the Act excludes the value of a person's primary residence from the calculation of net worth when determining an "accredited investor" under Rules 215 and 501(a)(5). CDI 179.01 (as well as CDI 255.47 which is identical), while confirming that the exclusion was effective upon enactment of the Act, also states that the SEC will issue amendments to its rules to conform them to the adjusted net worth standard in the Act. CDI 179.01 also states that while the value of the person's primary residence must be excluded when determining net worth for purposes of Rules 215 and 501(a)(5), pending implementation of the changes to the SEC rules, the related amount of indebtedness secured by the primary residence up to its fair market value may also be excluded when determining net worth for purposes of such Rules. However, indebtedness secured by the residence in excess of the value of the home should be considered a liability and deducted when determining net worth for purposes of Rules 215 and 501(a)(5).

In addition, the SEC's Division of Corporation Finance withdrew CDI 255.13, which provided that an investor may include the estimated fair market value of his principal residence as an asset for purposes of Rule 501(a)(5). The withdrawal was necessary to be consistent with Section 413(a) of the Act.

CDI 179.01 can be found [here](#).

Katten's July 23 edition of the *Corporate and Weekly Financial Digest* can be found [here](#).