

Investor Status

Various securities regulations including, but not limited to, exemptions from the securities registration requirements in the United States incorporate limitations on the types of investors that may participate in a transaction. In many cases, financial tests may be used as a proxy for sophistication. We describe below the most important categories to consider for US transactions.

Regulation D: Accredited Investors

SOURCE: RULE 501 OF REGULATION D

- Banks and savings and loan associations.
- Registered brokers or dealers.
- Insurance companies.
- Registered investment companies, business development companies, small business investment companies.
- Registered investment advisers.
- Rural business investment companies.
- Employee benefit plans established by a state or its subdivision with assets exceeding \$5 million.
- ERISA plans where the investment decision is made by a plan fiduciary, or if the plan has assets exceeding \$5 million. (or if a self-directed plan, investment decisions are made by accredited investors.)
- Private business development companies.
- Corporations and other entities with assets in excess of \$5 million.
- Director, executive officer or general partner of the issuer of the securities being offered (or any director, executive officer or general partner of a general partner of that issuer).
- Natural person whose individual net worth, or joint net worth with that person's spouse or spousal equivalent, exceeds \$1 million.
- 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 or spousal equivalent 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).
- Any LLC, trust, or other entity with total assets in excess of \$5 million, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a "sophisticated person."
- Any entity in which all of the equity owners are accredited investors.
- Any "family office" with assets under management of in excess of \$5 million, and any family client of a family office.
- A natural person who is a knowledgeable employee of the issuer fund.
- A natural person regardless of income/net worth that holds certain licenses (Series 7, Series 65 and Series 82).

Institutional Accredited Investors: Regulation D

This category is not a defined term in Regulation D. Instead, an offering document may limit sales of the applicable securities solely to the accredited investor categories that are institutional in nature (i.e., to those described in Rule 501(a)(1), (a)(2), (a)(3), (a)(7), (a)(8), (a)(9) or (a)(12)).

Rule 144A: Qualified Institutional Buyers

SOURCE: RULE 144A(A)

Any of the following that owns and invests at least \$100 million in securities of unaffiliated entities:

- Insurance companies.
- Registered investment companies (subject to special aggregation rules relating to fund families) or business development companies.
- Licensed small business investment companies.
- Employee plans established by a state or a subdivision.
- ERISA employee benefit plans.
- Certain trust funds where the trustee is a bank or trust company and where the participants are certain institutions.
- Business development companies.
- Corporations and other entities.
- Registered investment advisers.
- Registered broker-dealers, acting for their own accounts or the accounts of other QIBs, that own and invest at least \$10 million in securities of unaffiliated issuers.
- Any entity, all the equity owners of which are QIBs, acting for its own account or the accounts of other QIBs.
- Any bank, savings and loan or non-US bank or savings and loan that owns at least \$100 million in securities of unaffiliated issuers that are not affiliated with it and that has an audited net worth of at least \$25 million.
- Institutional accredited investors with at least \$100 million in securities of unaffiliated entities.

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Major US Institutional Investors: Securities Exchange Act

SOURCE: RULE 15A-6 UNDER THE SECURITIES EXCHANGE ACT

- A US institutional investor that has, or has under management, total assets in excess of \$100 million (for purposes of determining the total assets of an investment company under this rule, the investment company may include the assets of the family of investment companies of which it is a part).
- A registered investment adviser that has total assets under management in excess of \$100 million.

Must be:

- A registered investment company; or
- A bank, savings and loan association, insurance company, business development company, small business investment company or certain employee benefit plans; a private business development company (as defined in Rule 501(a)(2)); a 501(c)(3) entity; or a trust.

Qualified Purchasers: Investment Company Act

SOURCE: SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT

- Any natural person who owns at least \$5 million in investments.
- Any company that owns at least \$5 million in investments and that is owned by or for two or more natural persons who are related (or foundations or trusts established for their benefit).

- Certain trusts established for the investors in the two prior bullets.
- Any person, acting for its own account or the account of other qualified purchasers, who owns and invests at least \$25 million in investments.

Knowledgeable Employees: Investment Advisers Act

SOURCE: RULE 3C-5 UNDER THE INVESTMENT ADVISERS ACT

- An executive officer, director, trustee, general partner, advisory board member, or person serving in a similar capacity, of the investment company or an affiliated management person.

- An employee of the investment company or an affiliated management person who participates in the investment activities of the investment company or its affiliates, provided that the individual has performed these duties for at least one year.

Qualified Clients: Investment Advisers Act

SOURCE: RULE 205-3 UNDER THE INVESTMENT ADVISERS ACT

- A natural person or a company that has at least \$1 million under the management of the investment adviser.
- A person or a company that the investment adviser reasonably believes either:
 - Has a net worth (together with a spouse) of more than \$2.1 million; or
 - Is a "qualified purchaser" under the Investment Company Act.

A natural person who is:

- Part of the investment adviser's management; or
- An employee of the investment adviser who participates in the investment activities of such investment adviser and has had such duties for at least one year.

Eligible Contract Participant

SOURCE: COMMODITY EXCHANGE ACT

- Entities with more than \$10 million in assets (or an entity guaranteed by such an entity).
- Individuals with at least \$10 million invested on a discretionary basis (or \$5 million if the individual is hedging).
- Entities with a net worth of at least \$1 million that are hedging commercial risk.
- Financial institutions.
- Insurance companies.

- Registered investment companies and similar non-US entities.
- Commodity pools with at least \$5 million in assets under management.
- ERISA plans with assets of at least \$5 million (or that have investment decisions made by a registered commodity pool adviser, commodity trading adviser or a financial institution or insurance company).
- US federal, state and non-US government entities.
- US registered broker-dealers and similar non-US entities.
- Futures commission merchants and similar non-US entities.