PANORAMA
FINANCIAL GROUP

Are You an Accredited Investor?

What Is the Role of Accredited Investors?

Accredited Investor Overview

As companies raise capital, the accredited investor definition heavily influences their pool of potential investors, and as investors, the definition determines their eligibility to invest in many early-stage startups. A number of federal securities laws limit participation in offerings to accredited investors or contain restrictions on nonaccredited investors' participation.

What are the requirements to become accredited?

Accredited investors (i.e., natural persons) are determined based on their wealth, income, and other financial sophistication measurements.

$ Financial Criteria

- Net worth over $1 million, excluding the primary residence (individually or with spouse or partner).
- Income over $200,000 (individually) or $300,000 (with spouse or partner) in each of the prior two years, and reasonably expects the same for the current year.

P Professional Criteria

- Investment professionals in good standing holding the general securities representative license (Series 7), the investment adviser representative license (Series 65), or the private securities offerings representative license (Series 82).
- Directors, executive officers, or general partners (GP) of the company selling the securities (or of a GP of that company).
- Any "family client" of a "family office" that qualifies as an accredited investor.
- For investments in a private fund, "knowledgeable employees" of the fund.

Why the definition matters

Capital raising: The definition influences the pool of potential investors available to companies.

Investment access: The definition determines eligibility to invest in many early-stage startups.

Please see the summary visual on the next page.

Investor Qualification Snapshot

A simplified visual of qualified purchaser, qualified client and accredited investor thresholds.

WHAT IT MEANS

Qualified Purchaser

A Qualified Purchaser is an individual that owns $5mm+ in investable assets, an individual or entity which owns and invests $25mm+ in private capital or a trust sponsored by Qualified Purchasers or entity owned by Qualified Purchasers.

Investable assets

$5M
not including
primary residence

OR

Owns and invests

$25M
individual
in private capital

OR

Trust or entity

Trust sponsored or entity owned
by Qualified Purchaser

WHAT IT MEANS

Qualified Client

A qualified client has investable assets of $2.2mm+ or $1.1mm+ invested with a specific Advisor.

Investable assets

$2.2M

OR

Invested with specific advisor

$1.1M

WHAT IT MEANS

Accredited Investor

An accredited investor has an income of $200k+ for each of the last two years, individual, income of $300k+ for each of the last two years, couple, or investable assets of $1mm+.

Investable assets

$1M
not including
primary residence

OR

Income exceeds

$200K
individual
each of last 2 years

OR

Income exceeds

$300K
joint with spouse
each of last 2 years

Source: RBC

How Can Entities Become Accredited?

The structure or assets of the entity may determine whether the entity qualifies as an accredited investor.

Investments	Entities owning investments in excess of $5 million.
Owners as Accredited	Entities where all equity owners are accredited investors.
Assets	The following entities with assets in excess of $5 million: • Corporations, Partnerships, LLCs • Trusts, 501(c)(3) organizations • Employee Benefit Plans • "Family office" and any "family client" of that office.
Investment Advisors	Investment advisers (SEC- or state-registered or exempt reporting advisers) and SEC-registered broker-dealers.
Financial Entities	A bank, savings and loan association, insurance company, registered investment company, business development company, or small business investment company, or rural business investment company.