



## Accredited Verification Requirements

### Regulation D Rule 506(c) Investor Verification Standards and Protocols

In purchasing securities through a 506(c) Offering, the Company is obligated to verify any participating investor's status as an accredited investor in accordance with Rule 501 of Regulation D. There are three primary methods the Company may employ to comply with the verification standards. Note – most issuers use third party verification (broker-dealer letter, attorney letter, CPA letter, or a third party specialty services like [verifyinvestor.com](http://verifyinvestor.com)) to obtain proper and suitable verification. It is possible for the investor to provide bank statements and/or IRS tax forms – however most clients do not want the responsibility of reviewing those types of records and forms.

Investors in the offering will need to provide the Company with verification that meets the standards and form using one or multiple methods as listed below:

**Income:** The Company may verify an individual's status as an accredited investor on the basis of income by reviewing copies of any IRS form that reports net income, such as Forms W-2 or 1099 (which are typically filed by an employer or other third party payor), or Forms 1040 filed by the prospective purchaser (with non-relevant information permitted to be redacted). Under this method, the Company must review IRS forms for the two most recent years and obtain a written representation from the prospective purchaser that he or she has a reasonable expectation of attaining the necessary income level for the current year. Where accredited investor status is based on joint income with the person's spouse, the IRS forms and representation must be provided with respect to both the purchaser and the spouse.

**Net Worth:** Under this method, the Company will need to review bank or brokerage statements or third-party appraisal reports to verify the purchaser's assets and a credit report to verify liabilities, in each case dated within the prior three months, and will need to obtain a written representation from the prospective purchaser that all liabilities have been disclosed. Where accredited investor status is based on joint net worth with the person's spouse, the asset and liability documentation and representation must be provided with respect to both the purchaser and the spouse.

**Reliance on Determination by Specified Third Parties to Provide Verification:** The Company may satisfy the verification requirement if it obtains a written confirmation from a registered broker-dealer (who the investor has had an account with longer than 6 months), an SEC-registered investment adviser, a licensed attorney, or a certified public accountant that within the prior three months such person or entity has taken reasonable steps to verify that the purchaser is an accredited investor and has determined that the purchaser is an accredited investor. Third party services, such as [verifyinvestor.com](http://verifyinvestor.com) (managed by an attorney) are also qualified third party providers of verifications.



Proper verification must be submitted with the subscription for securities in order for the Company to verify the investor's suitability for investment and accept the subscription.

### Accredited Investor Qualifications:

In order to qualify as an accredited investor under Regulation D guidelines. An investor must meet one of the two following guidelines:

- 1) Any natural person whose individual net worth, or joint net worth with that person's spouse, exceeds \$1,000,000.
  - (i) Except as provided in paragraph (a)(5)(ii) of this section, for purposes of calculating net worth under this paragraph (a)(5):
    - (a) The person's primary residence shall not be included as an asset;
    - (b) Indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and
    - (c) Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of securities shall be included as a liability;

Or,

- 2) Any 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 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;