

Definitions

“Accredited Investor” means any person who comes within any of the following categories, or who the [issuer](#) reasonably believes comes within any of the following categories, at the time of the sale of the securities to that person:

(1) Any bank as defined in section 3(a)(2) of the [Act](#), or any savings and loan [association](#) or other institution as defined in section 3(a)(5)(A) of the [Act](#) whether [acting](#) in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the [Securities Exchange Act of 1934](#); any insurance company as defined in section 2(a)(13) of the [Act](#); any investment company registered under the [Investment Company Act of 1940](#) or a [business development company](#) as defined in section 2(a)(48) of that [Act](#); any [Small Business Investment Company](#) licensed by the U.S. Small Business Administration under section 301(c) or (d) of the [Small Business Investment Act of 1958](#); any [plan](#) established and maintained by a [state](#), its political subdivisions, or any agency or instrumentality of a [state](#) or its political subdivisions, for the benefit of its employees, if such [plan](#) has total assets in excess of \$5,000,000; any [employee benefit plan](#) within the meaning of the [Employee Retirement Income Security Act of 1974](#) if the investment decision is made by a [plan](#) fiduciary, as defined in section 3(21) of such [act](#), which is either a bank, savings and loan [association](#), insurance company, or registered investment adviser, or if the [employee benefit plan](#) has total assets in excess of \$5,000,000 or, if a self-directed [plan](#), with investment decisions made solely by persons that are accredited investors;

(2) Any private [business development company](#) as defined in section 202(a)(22) of the [Investment Advisers Act of 1940](#);

(3) Any organization described in section 501(c)(3) of the [Internal Revenue Code](#), corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;

(4) Any [director](#), [executive officer](#), or general partner of the [issuer](#) of the securities being offered or sold, or any [director](#), [executive officer](#), or general partner of a general partner of that [issuer](#);

(5) 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;

(ii) [Paragraph \(a\)\(5\)\(i\)](#) of this section will not apply to any calculation of a person's net worth made in connection with a purchase of securities in accordance with a right to purchase such securities, provided that:

(A) Such right was held by the person on July 20, 2010;

(B) The person qualified as an [accredited investor](#) on the basis of net worth at the time the person acquired such right; and

(C) The person held securities of the same [issuer](#), other than such right, on July 20, 2010.

(6) 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;

(7) Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in [§ 230.506\(b\)\(2\)\(ii\)](#); and

(8) Any entity in which all of the equity owners are accredited investors.

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"Qualified Client" means:

(i) A natural person who, or a company that, immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser;

(ii) A natural person who, or a company that, the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:

(A) Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,000,000. For purposes of calculating a natural person's net worth:

(1) The person's primary residence must not be included as an asset;

(2) Indebtedness secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time the investment advisory contract is entered into may not be included as a liability (except that if the [amount](#) of such indebtedness outstanding at the time of calculation 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 must be included as a liability); and

- (3) Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the residence must be included as a liability; or
- (B) Is a qualified purchaser as defined in section 2(a)(51)(A) of the [Investment Company Act of 1940](#) ([15 U.S.C. 80a-2\(a\)\(51\)\(A\)](#)) at the time the contract is entered into; or
- (iii) A natural person who immediately prior to entering into the contract is:
- (A) An [executive officer](#), director, trustee, general partner, or person serving in a similar capacity, of the investment adviser; or
- (B) An [employee](#) of the investment adviser (other than an [employee](#) performing solely clerical, secretarial or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such [employee](#) has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

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