

# ACCREDITED ASSURANCE, LLC

*Verification of Investment Capital*

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September 23, 2013

Elizabeth M. Murphy, Secretary  
U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

Via Email: [rule-comment@sec.gov](mailto:rule-comment@sec.gov)

Dear Ms. Murphy:

**Re: Amendment to Regulation D  
Request for Comment #97(S7-06-13)  
Definition of Accredited Investor  
Reasonable Steps Standard**

The Commission seeks description of appropriate protocol for determining an individual as an accredited investor, and whether there is protocol to determine the investor's sophistication.

I have previously had written to, and met with the Commission to present the means of determining accredited status at efficient cost, while protecting the privacy of the individual investor. Since you have asked for information from the field on standards to be set, here is how the company operates.

For the very wealthy, with no debt, it may be simple to verify them as accredited under the Regulation 506(c)(ii)(B) threshold, but for the "everyday" millionaire who passes the threshold standards with a small margin, some skill of the verifier is required to make that determination. The analysis is not a balance sheet and income statement accounting and not a matter of general accounting principles. For example, the \$1,000,000 net worth determination may require, in addition to listed assets like bank accounts and exchange traded securities, valuation of privately held real estate and business interests. Further, the investor's declaration of debt to be applied against assets should be cross checked against public records and credit reports. The \$200,000 income alternatives may require readjustment of taxable income for the three year period to true income.

Therefore, the deemed reasonable steps for safe harbor verification by broker, investment advisor, attorney or CPA, should require third party documentation or database values to determine a reasonable evaluation, including:

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- Current capitalization rate for privately held real estate based type (industrial, office, commercial, residential) and nearby city location;
- Income multiplier rate for privately held business based on industry and maturity;
- Insured value for artwork, jewelry, or other collectables based upon policy declaration; and,
- Resale market price for motor vehicles.

Such documentation and data base for rates are often necessary analysis, which indicate a true measure of wealth and thereby investable capital.

To attempt the unmeasurable quality of investor sophistication is like rating a figure skater - even the judges given different rating points depending on selection of music, routine, and style. Investment status by comparison is determined objectively, a matter of counting up not asset value and true income by the numbers.

Accordingly, it is respectfully requested that regulation should be in place requiring the evaluation be supported by achieving the supporting documents and data base analysis for a five year limitation period.

Very truly yours,

*Paul S. Sigelman*

Paul Sigelman

Copy      The Honorable Mary Jo White, Chairman  
The Honorable Elisse B. Walter, Commissioner  
The Honorable Luis A. Aguilar, Commissioner  
The Honorable Daniel M. Gallagher, Commissioner  
The Honorable Troy A. Paredes, Commissioner

Charles Kwon, Special Counsel, Office of Chief Counsel,  
Division of Corporation Finance

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Via Email: [rule-comment@sec.gov](mailto:rule-comment@sec.gov)

Dear Ms. Murphy:

**Re: Amendment to Regulation D  
Request for Comment #100(S7-06-13)  
Interactive Offering Platform  
Alternative to Offering Document**

The Commission's question is whether an accredited purchaser should receive some sort of offering circular to be properly informed of the investment opportunity.

Recorded information is both an assist and insurance for issuer and investor, and by a my experience as a lawyer may serve as a litigation tool that assists a court or arbitrator to resolve disputes should an investment go south.

Yet the investment customer, (i.e. the investor), often reads only the executive summary and perhaps the background of management. The full document is closely examined if at all by the brokerage community but not the investor. The individual investor most often relies on chat with broker or friend.

What will help such an accredited investor is more of a TV/magazine roundtable discussion of product, risk and management, without being lost in the mystery of endless generic/esoteric discussions which bury the reality of the deal being offered.

The alternative, and perhaps a far more informative approach, is found in the Road Show meetings historically developed but limited to the high level broker/ professional. That model can be broadened to the accredited investor by an internet interactive platform for a live online auditorium audience, now authorized by Congress in the JOBS Act (17 USC 77d(b)). Utilizing a webcast focused on an audience of individuals that may be verified as accredited at the time of purchase, the offering company can then present its management for discussion of the product

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market, the risk factors, and the underlying assumptions. The remote audience on computer screen or tablet at home or office, may pose questions, receive answers, and listen to the concerns of other investors. Such a robust platform provides a due diligence service.

Equally important the platform provides a durable and reviewable record of the representations made, is not a severe financial burden, and can be archived and made available to the Agency as well as for those who could not attend (the same as with Commission roundtable meetings).

For the accredited investor, such a roundtable should be required, or be an alternative to print copy format, or support print copy. To facilitate this new media (and as I have previously suggested, 12/3/13, file S7-07-12), a rule along the following lines would elucidate and provide guidance:

A person participating in a public platform or mechanism permitting offer, sale, or purchase of securities in compliance with Rule 506, shall not be considered to be providing investment advice or recommendation to issuers or investors, by reason of analyzing issuer information for the purpose of conducting interviews, making inquiries, and/or commenting on issuer provided information as long as such person does not receive compensation contingent on the success of the issuer's offering and is not paid by issuer or investor.

Very truly yours,

*Paul S. Sigelman*

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