

NETWORK **1** FINANCIAL  
SECURITIES, INC.

October 8, 2014

Kevin M. O'Neill, Deputy Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

Reference: File Number 265-28

Dear Mr. O'Neill:

I am concerned with the discussion surrounding some of the changes being recommended for the qualification to be considered an "accredited investor" for purposes of participating in Rule 506 of Regulation D offerings.

As a member of the broker/dealer community for more than forty years and participating in many 506 offerings, I am confused by the difference exhibited by the spirit of Congress in the Jobs Act and the changes recommended for the definition of accredited investor.

There is no doubt that Congress, in approving the change in solicitation requirements in the Jobs Act, wanted to expand the use of 506 offerings in order to provide the capital necessary for the growth of companies and also provide new jobs.

At the same time, many of the Dodd-Frank Act provisions have just the opposite effect, and are a disincentive to the capital formation process.

The requirement in Dodd-Frank to review the accredited investor definition every four (4) years should not be used to damage the attempt by Congress to encourage and expand the use of 506 offerings.

- continued on next page -

The Galleria ▪ 2 Bridge Avenue  
Suite 241 ▪ Red Bank, NJ 07701-1106  
Phone: 732-758-9001 ▪ Toll Free: 800-886-7007 ▪ Fax: 732-758-6671

Member FINRA/SIPC

Kevin M. O'Neill, Deputy Secretary  
Securities and Exchange Commission  
October 8, 2014  
Page 2

The spirit of the review of the definition of accredited investor is correct but, the timing of any significant changes may not allow the Jobs Act a chance to develop and see if it brings about the growth that Congress had hoped.

The SEC Advisory Panel readily admitted, "one thing is evident is the degree to which the Commission is currently acting based on incomplete information when it comes to the developing policy with regard to Rule 506 offerings, including with regard to the accredited investor definition".

I believe this to be a true and disturbing observation. Why make significant changes in the accredited investor definitions until; 1) We can gather proper information; 2) We give the Jobs Act a chance to perform.

Where is the public outcry for a significant change in definition or any large scale abuse that has occurred by using the current definition? I agree with the advisory recommendation that the "Commission should collect further information" before it enacts significant changes.

It would seem that changes in definition should be looked at in the light of continuing to develop the 506 offering market.

The observation of the advising committee that some accredited investors are not "capable of protecting their own interest", and the suggestion that the Commission should create some arbitrary threshold limiting the amount an accredited investor can invest, is the height of government intervention into the free-market decisions. I understand why the government needs to protect the public and unsophisticated investor but, making decisions for the most highly-qualified investors in our society is not a role for government. Risk taking by individuals that are financially capable, and sophisticated enough to understand their investments, is one of the backbones of the American economic system.

- continued on next page -

The Galleria ▪ 2 Bridge Avenue  
Suite 241 ▪ Red Bank, NJ 07701-1106  
Phone: 732-758-9001 ▪ Toll Free: 800-886-7007 ▪ Fax: 732-758-6671

Member FINRA/SIPC

Kevin M. O'Neill, Deputy Secretary  
Securities and Exchange Commission  
October 8, 2014  
Page 3

Although the current definition of an accredited investor is "\$1,000,000.00 net worth (excluding primary residence) and \$200,000.00, or more, of net income has not been changed since 1982; there is little evidence that it has not been a good guideline for defining a person's ability to understand and participate in a private placement.

I believe the advisory panel recommendations to allow individuals to qualify as accredited investors, based on their financial sophistication, is a good one. Financial sophistication is just as important as financial net worth and allowing investors with the sophistication the ability to participate in 506 offerings is a good one. Also, making sure that an individual investor, even an individual financially qualified, has this sophistication is a way to strengthen investor protection, while we gathering information, so we can study the subject matter.

The recommendation of using an alternative means of verifying accredited investor status by establishing a third party to perform verification should be carefully considered. This alternative is only another layer of costs to the accredited investor or issuer. Many accredited investors will be reluctant to expose their financial information to third parties simply for the right to participate in 506 offerings.

A better solution would be to better define what an issuer must do to assure accredited status so that it is clear and defined. Also, the burden of determining suitability and accredited status should be on the registered broker/dealer placing a transaction and not on the smaller issuers. They are more qualified to deal with suitability and determining investor qualifications. This would take the burden off the issuer in transactions being solicited by registered placement agents.

I would ask the Commission to carefully consider the changes recommended by the Investor Advisory Committee and consider the impact they might have by shrinking the potential market of individuals that might participate in 506 offerings.

- continued on next page -

The Galleria ▪ 2 Bridge Avenue  
Suite 241 ▪ Red Bank, NJ 07701-1106  
Phone: 732-758-9001 ▪ Toll Free: 800-886-7007 ▪ Fax: 732-758-6671

Member FINRA/SIPC

Kevin M. O'Neill, Deputy Secretary  
Securities and Exchange Commission  
October 8, 2014  
Page 4

Clearly, Congress, with the passage of the general solicitation rules of the Jobs Act, had just the opposite intention.

Let's give the Jobs Act a chance to develop before we put restrictions on its growth.

Respectfully submitted,



Damon D. Testaverde  
Managing Director

The Galleria ▪ 2 Bridge Avenue  
Suite 241 ▪ Red Bank, NJ 07701-1106  
Phone: 732-758-9001 ▪ Toll Free: 800-886-7007 ▪ Fax: 732-758-6671

Member FINRA/SIPC