

June 18, 2014

Comments on S7-06-13

Amendments to Regulation D, Form D and Rule 156 under the Securities Act

Accredited Investor Definition

My Suggestions:

The dollar limits should not be increased for 2014. Begin indexing to inflation in 2015.

Equity in primary residence should count. At this point I'm being penalized for not having a mortgage on my house. Why would the SEC want me to take out a mortgage on my house and pay interest just so I could invest \$10,000, \$20,000, or other amount? Include primary residences in net worth, but deduct mortgages on primary residences from net worth. At least include 50 percent of home equity if not all of it.

Alternative criteria should suffice for those not meeting the dollar thresholds:

- possession of professional certifications or degrees;
- relevant investment experience (any type of alternative investment, including small businesses, land, income real estate, etc.);
- employment history (not only in financial services, but to include business ownership, business management);
- ownership of a specific amount of investment securities;
- total liquid assets;
- membership in an established angel group;
- reliance on registered intermediaries; or
- limit percentage of net worth to be invested in any one offering.

My Personal Situation As An Example:

Other than mutual funds, my prior investments have included:

- \$230,000 in small business ownership and partnerships;
- \$350,000 in subdivision lots;
- \$210,000 in a condominium;
- \$ 90,000 in two rental homes; and
- part of the above using self-directed IRA accounts.

The net result? Some losses, but more wins than losses, and a current household net worth of \$1,300,000 not including primary residence.

Conclusion:

If inflation-based adjustments increase the net worth standard to \$2,500,000 and annual income to \$450,000, then successful, experienced investors such as myself would be precluded from participating in many attractive opportunities. Do not raise the threshold this year. Do not totally eliminate everyone below a certain threshold. Many of us are sophisticated, successful

businesspeople, who don't gamble more than we can stand to lose (or anything close to that amount). To preclude us from investing \$10,000 or even \$100,000 because we supposedly don't understand the risks could only be justified using faulty logic.

A handwritten signature in black ink that reads "Randal P. Klein". The signature is written in a cursive style with a large initial 'R' and a stylized 'K'.

Randal Klein
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