September 23, 2014

The Honorable Mary Jo White
Chairman
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: File No. S7-06-13: Recommendations Regarding Definition of "Accredited Investor"

Chairman White:

WealthForge appreciates the opportunity to comment on the definition of "accredited investor" under Rule 501 of Regulation D in accordance with the required review of such definition as specified by the Dodd-Frank Act.

WealthForge automates private placements, making it more efficient for private entities to secure capital. As a licensed broker dealer, we offer secure technology and white label solutions to streamline the process of raising capital online while reducing back office costs. WealthForge's transaction engine provides a secure online environment for viewing diligence materials, executing required documents, exchanging cash for securities, and issuing securities with CUSIPs for book-entry transfers. The process occurs virtually through our clients' websites, allowing for a seamless integration and providing a cost-effective alternative to offline investing in private securities.

WealthForge believes that any material increase in the threshold requirements for qualification as an accredited investor would likely have a serious detrimental effect on the U.S. private equities market, which is a significant contributor to our economy. Thus, WealthForge favors a balanced approach to this review of the "accredited investor" definition, resulting in either (1) no immediate increase to the financial thresholds, allowing for re-evaluation of this issue in four years, or (2) tying any increase(s) to the financial threshold requirements to any CPI increase on an annual basis, and implementing an investor sophistication test for qualification as an accredited investor.

Current Definition of Accredited Investor

Under Rule 501 of Regulation D, the determination of whether an individual is an accredited investor is based on the individual's net worth or annual income. Currently, an individual is deemed an accredited investor if he or she (1) earns an annual income of $200,000 (or $300,000 jointly with his or her spouse) in both of the previous two years and has a reasonable expectation of earning such income in the current year, or (2) has a net worth of $1,000,000 or more (excluding the value of his or her primary residence). Barring satisfaction of these financial thresholds, there is no standard alternative for an otherwise sophisticated market participant to be deemed an "accredited investor."

Best Case: Leave the Standard As Is

We believe the best option would be to leave the thresholds where they currently lie and reserve for the next review, in four years, the question of whether, and to what extent, they need to be changed. This would provide sufficient time to evaluate the recent changes in the private placement market, specifically the recent promulgation of Rule 506(c). Tabling this issue will allow more time for a vigorous debate on the new regulatory environment and the potential necessity for appropriate changes to the definition of "accredited investor."

Currently, from a macro-economic perspective, the country has struggled to recover from the market disruptions of 2008. Rule 506(c) was enacted, in large measure, to help facilitate and energize that recovery. We are just beginning to see significant adoption of Rule 506(c) via offerings that expand the access to capital for early stage high growth companies. Adjusting the definition of an accredited investor at this time would create significant disruptions to the marketplace for early stage capital formation, creating an environment that may restrict access to capital for high growth companies. This will have the inverse effect that intended desired when passing the JOBS Act.

Option 2:

As an alternative, should the SEC decide that a change in standards is appropriate at this time, WealthForge suggests that the Commission adjust the Rule 501 definition of "accredited investor" in the following ways:

First, the income and net worth requirements should be tied to inflation going forward. This would mitigate any concern that the current definitions have allowed too many people to fall within the definition of "accredited investor". WealthForge is cognizant of the fact that when these standards were originally promulgated in 1982, just 1.3% of U.S. households met the threshold standards. However, as of last year, the number had increased to approximately 9% of U.S. households because the financial thresholds were not pegged to inflation or otherwise adjusted for present dollars.[1] To be clear,

[1] *Redefining an 'accredited investor'*, INVESTMENTNEWS (Nov 24, 2013, 12:01 AM), http://www.investmentnews.com/article/20131124/REG/311249998/redefining-an-accredited-investor

WealthForge wholeheartedly opposes retroactively applying the rate of inflation from 1982 forward to drastically raise the "accredited investor" qualifications. We believe retroactively accounting for inflation would only harm the market as it currently exists and would potentially result in a set-back to the strong entrepreneurial spirit in this country. Any changes need to be implemented over several years and phased in to avoid any shocks to the marketplace.

Second, the Commission should develop an alternative definition of an "accredited investor" to better embrace the larger universe of sophisticated investors. This new definition should not be based on an individual's current net worth or income. Instead, this alternative category would consist of those investors who have completed a required examination to prove they have the necessary sophistication to understand the level of risk associated with investing in early stage companies. Similar to the process utilized for investors wishing to buy on margin, such investors would have to go through a registered entity, such as a broker-dealer or RIA, and answer a questionnaire to determine the investor's suitability and sophistication. The registered entity who reviews and creates the questionnaire would bear the responsibility and liability of ensuring that these investors are sophisticated enough to engage in riskier investments. Once an investor passes the examination, the investor would be deemed an "accredited investor" for a two-year period; thereafter, the investor would need to undergo a re-accreditation process. It should be noted that this approach would reduce the capital pool from which high growth companies can raise capital and would have a negative macro-economic impact on the country.

Conclusion:

We believe either of these two suggested approaches would balance the dual goals of protecting investors and encouraging investment in early stage companies. Either by allowing the market to continue to mature and postponing its evaluation of the definition of "accredited investor" for four years, or by prospectively adjusting the "accredited investor" financial thresholds to match inflation and creating a new definitional category for sophisticated accredited investors, the Commission can continue to protect investors while promoting reasoned economic growth.

We look forward to the ongoing conversation and welcome the opportunity to provide additional comments or details to the Commission and its staff.

Respectfully,

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