



U.S. Securities and Exchange Commission
**Small Business Capital Formation
Advisory Committee**

May 1, 2024

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1070

Dear Chair Gensler:

On behalf of the SEC Small Business Capital Formation Advisory Committee, we are pleased to submit the below recommendations approved at the Advisory Committee's February 27, 2024 meeting, where the Committee discussed the "accredited investor" definition.

Recognizing that the Commission may be considering changes to Regulation D and the definition of "accredited investor," as set forth in Securities Act Rule 501(a) of Regulation D, over the course of the [November 29, 2023](#) and [February 27, 2024](#) meetings, the Committee explored ways the definition might be amended to work better for small businesses and investors across the country.

The Committee's discussion covered a number of important concepts, including the importance of facilitating greater access to capital for founders, particularly underrepresented founders; the tension in regulatory policy between accessibility and government paternalism; and changes in the private market landscape since the definition was adopted in the 1980s. The Committee also emphasized the importance of investor risk awareness and discussed the role of education and the merits of the current financial thresholds for individual investors to qualify as accredited.¹ Our recommendations below seek to promote a balanced approach to the "accredited investor" definition, and the Committee urges the Commission to consider them in any future rulemaking.

¹ Pursuant to Rule 501(a) of Regulation D under the Securities Act of 1933, individuals may qualify as accredited investors by meeting certain professional criteria or the following financial criteria: net worth over \$1 million (excluding primary residence), or annual income over \$200,000 (individually) or \$300,000 (with spouse or partner). See "What is the role of accredited investors?" at <https://www.sec.gov/education/capitalraising/building-blocks-accredited-investor>.

Erica Dugnun
Founder and General Partner
Reign Ventures
New York, NY

Sue Washer
Founder and Former CEO
Applied Genetic Technologies Corporation
Gainesville, FL

Jasmin Sethi
Founder and CEO
Sethi Clarity Advisers
Philadelphia, PA

Davyeon Ross
Co-Founder and President
DDSports/ShotTracker
Overland Park, KS

Wemino Abbey
Co-Founder and Co-CEO
Eesusu
Los Angeles, CA

Donnel Baird
Founder and CEO
BlocPower LLC
Brooklyn, NY

William M. Beatty*
Securities Administrator of the Washington
State Securities Division
Olympia, WA

Stacey Bowers
Director, Office of the Advocate for Small
Business Capital Formation, U.S. Securities
& Exchange Commission
Washington, DC

George Cook
Co-Founder and CEO
Honeycomb Credit
Pittsburgh, PA

Vincent Cordero
Partner, Co-CEO, and CBO
Mucho Mas Media
Miami, FL

Marcia Dawood
Venture Partner
Mindshift Capital
Charlotte, NC

Gregory J. Dean*
Senior Vice President
Office of Government Affairs
FINRA
Washington, DC

Bailey DeVries*
Associate Administrator for the Office of
Investment & Innovation
U.S. Small Business Administration
Washington, DC

Bart Dillashaw
Founder
Enterprise Legal Studio
Omaha, NE

Herbert Drayton III
Founder and Managing Partner
HI Mark Capital
Charleston, SC

Diego Mariscal
Founder, CEO, and Chief Disabled Officer
2Gether-International
Washington, DC

Laura Niklasen
Founder, President, and CEO
Humacyte
Durham, NC

Aren Sharifi
Attorney
Kutak Rock LLP
Denver, CO

Marc Sharma*
Chief Counsel, Office of the Investor
Advocate
U.S. Securities and Exchange Commission
Washington, DC

Dennis R. Sugino
Founder
Kansa Advisory LLC
Huntington Beach, CA

1. With respect to the definition of “accredited investor,” the Committee recommends that the Commission leave the current financial thresholds in place, and not adjust such financial thresholds for inflation (either retroactively or going forward).
2. Given the imperfect proxy that financial thresholds provide for measuring investors’ sophistication, the Committee recommends that, for individuals who do not meet the wealth and income thresholds, there be a way to qualify as accredited by satisfactorily completing an educational program, which would then allow such person to invest up to 5% in total of the greater of their income or net worth over a 12-month rolling period. While the Committee defers to the Commission to further develop and implement these criteria, the Commission is encouraged to consider the analogous framework used in Regulation Crowdfunding.
3. Having discussed the importance of investors being aware of the risks of investing in private securities, the Committee further recommends that the Commission look at ways to ensure that certain information be made available which identifies key investment risks of this asset class in a clear and concise manner. In particular, the Committee identified the following key investment risks: risk of total investment loss; limited liquidity; and that loss of investment (absent fraud) does not give an investor a legal claim against the company.

Respectfully submitted on behalf of the Advisory Committee,



Erica Duignan
Committee Chair



Sue Washer
Committee Vice Chair



Jasmin Sethi
Committee Secretary



Davyeon Ross
Committee Assistant Secretary

CC: Commissioner Hester M. Peirce
 Commissioner Caroline A. Crenshaw
 Commissioner Mark T. Uyeda
 Commissioner Jaime Lizárraga