

SEC Staff No-Action Letter Allows Issuers to Rely on High Minimum Investment Amounts to Verify Purchasers in Rule 506(c) Offerings

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On March 12, 2025, the staff of the Securities and Exchange Commission (“SEC”) issued no-action guidance providing that certain minimum investment amounts, along with certain written representations from the purchaser, could constitute “reasonable steps” to verify a purchaser’s accredited investor status in an offering conducted under Rule 506(c) of Regulation D. As a practical matter, this guidance enables issuers to rely on investors’ self-certification of their eligible status in certain circumstances, similar to the long-standing approach the industry has taken with respect to offerings conducted under Rule 506(b). Our general expectation is that more issuers (including private funds) will take advantage of this accommodative guidance and conduct offerings through the use of general solicitation and general advertisement.

To rely on the SEC staff’s no-action position, an issuer must:

- (1) require minimum investment amounts (including binding commitments) of at least \$200,000 for individuals, \$1,000,000 for entities and, for entities accredited solely as a result of the accredited investor status of all of their equity holders, \$200,000 for each equity holder;
- (2) obtain a written representation from the purchaser that they qualify as an accredited investor (or an entity, all the equity owners of which qualify as accredited investors) as a result of being a natural person with an individual or joint net worth of \$1,000,000, a natural person with an individual income of \$200,000 or a joint income of \$300,000, an entity with total assets in excess of \$5,000,000, an entity owning investments in excess of \$5,000,000 or a family office with assets under management in excess of \$5,000,000;
- (3) obtain a written representation from the purchaser that the purchaser’s minimum investment amount¹ is not financed in whole or in part by any third party for the specific purpose of making the particular investment in the issuer; and
- (4) have no actual knowledge that any purchaser is not an accredited investor or that any purchaser’s minimum investment amount was financed in whole or in part by any third party for the specific purpose of making the particular investment in the issuer.

Read the SEC staff’s no-action letter [here](#).

Read the incoming letter [here](#).

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¹ To clarify, purchasers would be able to finance any investment amount beyond the \$200,000 or \$1,000,000 minimums.