

## Raising money for California real estate syndications

Most small companies that make private placement sales of their LLC interests or corporate shares use one or more exemptions from registration requirements. Registration, often done as a part of going public, is very time consuming and expensive. Use of these exemptions still requires completing and filing appropriate forms, but they are far simpler than registration.

What program or type of promotion can be done depends on which exemption you want to use, and that decision depends on how much money is being raised, the number of investors being sought, and whether the offering will be in more than one state.

Private Placement Lawyer, LLC, prepares questionnaires to be completed by potential investors—both intrastate and interstate versions. The SEC has said a comprehensive questionnaire is required, not just box-checking.

### *Want to advertise?*

The following program permits some levels of advertising.

- California 25102(n) exemption
  - + \$5 million maximum can be raised
  - + limited to CA investors who are qualified investors
  - + no limit on number of investors
  - + investors must have \$500,000 net worth, or at least \$100,000 in gross income and \$250,000 net worth (excluding residence) or business worth more \$5,000,000

BIG ADVANTAGE: TOMBSTONE ADVERTISEMENTS CAN BE USED BOTH ONLINE AND IN PRINT.

Disadvantages: a) Company must be a corporation (not an LLC) with only one class of stock, unless all investors are accredited investors under Reg D; b) not available for blind pools; and c) amount of investment of each individual cannot exceed 10% of his net worth

### *Do not intend to advertise to raise money?*

The following programs do not permit advertising but do permit prequalification of investors via Internet sites, blogs and seminars

- California 25102(f) exemption
  - + unlimited amount of money can be raised

+ no financial requirements for up to 35 investors but must be sophisticated or have substantial pre-existing relationship with company owner(s)

+ no limit to accredited investors

BIG DISADVANTAGE: REQUIRES (LIMITED) STATE REVIEW OF THE MERITS OF THE OFFERING

## Reg D 506 exemption

Most entrepreneurs use the “Reg D” exemption.

+ unlimited amount of money can be raised

+ no financial requirements for up to 35 investors but must be sophisticated or have substantial pre-existing relationship with company owner(s)

+ unlimited number of accredited investors

“sophisticated” means can be reasonably assumed to have the capacity to protect their own interests in connection with the transaction

“substantial pre-existing relationship” means know the company owner(s) well enough to be aware of any problems

BIG ADVANTAGE: NO STATE CAN REQUIRE A REVIEW OF THE MERITS OF A REG D OFFERING

### Prequalification via Internet sites, blogs and seminars

--Internet links to investor questionnaire and investor statements are generally permitted; must be completed and returned before offering materials can be made available via password or other means

--Seminars with only general information are permitted, with questionnaire follow-up required before materials can be presented

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Private Placement Advisors LLC and The Law Offices of Douglas Slain are available to answer questions. Contact Doug Slain direct at 415-888-8289.

