

CROWDFUNDING LAWYERS.net

TROWBRIDGE SIDOTI LLP

Real Estate Syndication Lawyers

Private
Placements

Group
Investments

LLC/Partnership
Agreements

Small Public &
Reg. A Offerings

Trowbridge Sidoti LLP

Formed in 2014

500 Unique Clients

850 Offerings

\$3.7 Billion in Offerings



COMMON STRUCTURE OF OFFERINGS



FOUR QUESTIONS A PASSIVE INVESTOR SHOULD ASK

1. What happens if something happens to the Sponsor?
2. Has the Sponsor done this before?
3. Will the Sponsor have “Skin in the Game?”
4. What happens if I need my money back?

COMMON STRUCTURE OF OFFERINGS



WELCOME TO THE WORLD OF SECURITIES

“HOWEY”

Test

- Investment of money
- In a common enterprise
- Expectation of profit
- Solely from the efforts of a promoter

Is it a security?

No? Member
Managed LLC

Yes? Manager Managed LLC

Non-Security
World

Security World - SEC

Offerings Exempt
From SEC Registration

Large Public Offerings
Small Public Offerings
Regulation A

Intrastate (Rule 147)

Regulation D

Regulation D Rules 506 (b) and (c)

Three Words

93%

7%

Reg. D 506 (b)

- No limit on \$\$s raised
- Unlimited Accredited Investors
- Investors self certify
- **Max 35 Sophisticated Investors**
- PPM Recommended/Required
- **No advertising or solicitation**

Reg. D 506 (c)

- No limit on \$\$s raised
- Unlimited Accredited Investors
- Sponsor to be “reasonably assured”
- **No sophisticated Investors**
- PPM Recommended
- **Advertising and solicitation allowed**

*Sophisticated, Preexisting and Substantive
Pre-Conditioning the Market, Generic*

SOPHISTICATED

A Sophisticated Investor is “one who, alone or with the help of a purchaser representative, or by reason of their educational, business, or financial experience, **can be reasonably assumed to have the capacity to understand the fundamental aspects and merits of an investment in the Company.**”

DEFENSE AGAINST A CHARGE OF ADVERTISING OR SOLICITATION

“The existence of such a *pre-existing, substantive* relationship is one means, but not the exclusive means, of demonstrating the *absence* of a general solicitation in a Regulation D offering.” *SEC Guidance*

A relationship with an investor that existed *prior* to the offering. When is that?

- a) Signed Letter of Intent
- b) Signed Purchase and Sale Agreement
- c) Signed Fee Agreement with Securities Lawyer

SUBSTANTIVE

A “**substantive**” relationship is one in which the issuer (or a person acting on its behalf) *has sufficient information to evaluate, and does, in fact, evaluate, a prospective offerer’s financial circumstances and sophistication, in determining his or her status as an accredited or sophisticated investor.* Self-certification alone (by checking a box) without any other knowledge of a person’s financial circumstances or sophistication is not sufficient to form a “substantive” relationship.

[August 6, 2015] SEC Guidance

CITIZENVC NO ACTION LETTER FROM SEC (2015)

Various actions you can take to connect with the prospective investor and collect information sufficient to evaluate the prospective investor's sophistication, financial circumstances, and its ability to understand the nature and risk related to an investment in the offering.

- (1) contacting the prospective investor offline to introduce yourself and to discuss the prospective investor's investing experience, sophistication, investment goals and strategies, financial suitability, risk awareness, and other topics designed to assist you in understanding the investor's sophistication, or
- (2) sending an introductory email to the prospective investor, and then contact the prospective investor online to answer questions they may have about yourself and potential investments,
- (3) take steps to confirm the prospective investor's identity, and to gather additional financial information and credit history information to support the prospective investor's suitability,
- (4) encouraging the prospective investor to ask questions about your investment strategy, philosophy and objectives, and
- (5) foster interactions both online and offline between the prospective investor and yourself.

BUILD YOUR DATA BASE (506 B)

- 1) Present Generic Information
- 2) Do not make any offer or sell your interests through solicitation
- 3) Have a record keeping system so you can show that on the date of the first contact with an investor they did not buy something you were offering that day!

BIGGEST MISTAKE I SEE GOING ON TODAY!

Offering and paying others to raise money for your offering!

- 1) Don't be considered an *unlicensed broker dealer*!
- 2) Don't pay or accept *transaction-based compensation*! (in any form)
- 3) Do become a member of the Manager LLC with a *primary function other than raising money*!
- 4) Do establish your own fund to gather your investors and *have the fund invest....be careful!*

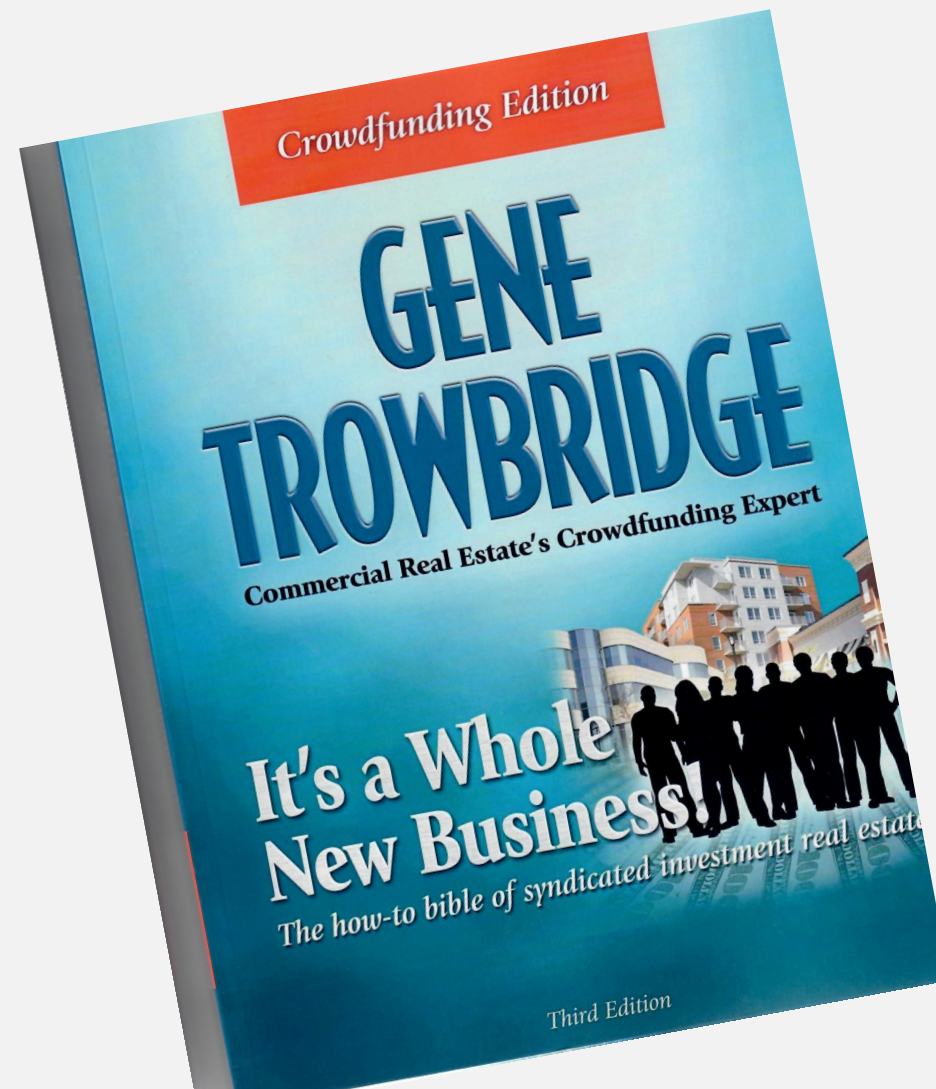
SELL THE **SIZZLE!**

1. The **sizzle** of real estate
2. The **sizzle** of your part of the real estate world
3. The **sizzle** of having you manage their money
4. The **sizzle** of your deal

“ It’s a Whole New Business” Third Edition

The Third Edition of my book, shown here, explains all of this. You can buy it on Amazon in hard copy or buy a Kindle version.

But Adam has arranged for me to send each of you a **free** pdf version of my book!



WORK WITH US!

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