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GUIDE 0015



INVESTMENT, & OPERATIONS GUIDE™

**LEGAL REQUIREMENTS FOR RAISING CAPITAL FOR
YOUR NEXT DEAL**

GUIDES DESIGNED TO HELP YOU EXCEL AT ACQUIRING AND OPERATING REAL ESTATE INVESTMENTS

REAL STATE INVESTING IN OPERATIONS GUIDES

Legal Requirements For Raising Capital For Your Next Deal

Raising capital for multifamily investments requires navigating legal requirements to ensure compliance with federal and state securities laws. Here are some of the most common legal requirements to raise money outside of friends and family:

- ✓ **File with the SEC:** If you plan to raise capital from investors who are not your friends or family, you may need to file with the Securities and Exchange Commission (SEC) under Regulation D. This exemption allows you to sell securities to accredited investors without registering with the SEC.
- ✓ **Verify investor accreditation:** Accredited investors are individuals or entities that meet certain income or net worth requirements. You must verify that each investor you approach is accredited before offering them the opportunity to invest in your project.
- ✓ **Prepare offering documents:** Offering documents, such as private placement memorandums (PPMs) and subscription agreements, provide potential investors with information about the investment opportunity, including the risks involved and the terms of the investment.
- ✓ **Follow state securities laws:** In addition to federal securities laws, each state has its own set of securities laws that must be followed. These laws vary by state, so it is important to consult with an attorney who is familiar with the laws in your state.

Example

An investor is interested in raising \$2 million in capital from accredited investors for a multifamily investment. The investor files with the SEC under Regulation D and verifies the accreditation of potential investors. The investor prepares a PPM and subscription agreement to provide investors with information about the investment opportunity. The investor consults with an attorney to ensure compliance with state securities laws and successfully raises the \$2 million in capital.

Navigating the legal requirements of raising capital for multifamily investments can be complex, but it is essential to ensure compliance with federal and state securities laws. By filing with the SEC, verifying investor accreditation, preparing offering documents, and following state securities laws, investors can raise capital from accredited investors and achieve success in the multifamily real estate market.

Here Are Some Definitions And Examples Of Two Common SEC Regulations:

- ✓ **Regulation D, Rule 506(b):** This SEC exemption allows issuers to raise an unlimited amount of capital from accredited investors and up to 35 non-accredited investors. The issuer must provide certain disclosures to potential investors and verify that they are accredited.

Example

An investor is interested in raising \$5 million in capital from investors for a multifamily investment. The investor files under Regulation D, Rule 506(b) and provides potential investors with a PPM and subscription agreement. The investor verifies the accreditation of each investor and raises the \$5 million in capital.

- ✓ Regulation D, Rule 506(c): This SEC exemption allows issuers to raise an unlimited amount of capital from accredited investors, but requires the issuer to take reasonable steps to verify the accreditation of each investor.

Example

An investor is interested in raising \$10 million in capital from investors for a multifamily investment. The investor files under Regulation D, Rule 506(c) and provides potential investors with a PPM and subscription agreement. The investor takes reasonable steps to verify the accreditation of each investor and raises the \$10 million in capital.

Understanding the legal requirements for raising capital for multifamily investments is essential for compliance with federal and state securities laws. By filing under Regulation D, Rule 506(b) or 506(c), issuers can raise capital from accredited investors and up to 35 non-accredited investors. By verifying investor accreditation and providing potential investors with offering documents, investors can achieve success in the multifamily real estate market.

At Buy it Rent it Profit Education™, we offer resources and courses to help investors navigate the legal requirements of raising capital and achieve success in the multifamily market. By utilizing our tools and resources, investors can make informed investment decisions and achieve their investment goals.