

When an individual or small group needs to raise money to accomplish the objectives of a real estate joint venture or partnership, there are several options under California real estate syndication law and state and Federal private placement law. This article examines one option.

California Department of Corporations Release 32-C provides guidance on how a licensed real estate broker can conform to Section 25201(a) of the Corporate Securities Law governing those who effect transactions in real estate securities in California.

Licensed real estate brokers are exempt from being licensed as security broker-dealers if they sell interests in partnerships, joint ventures, or other entities (other than corporations) engaged in real estate development in California.

These "real estate entities" include entities that:

- own land with no income producing capacity and with the objective of holding the land for development;
- own and operate an apartment building or similar multiple-residential housing facility;
- own and operate a building of offices or commercial space;
- own a shopping center or industrial park offering units, sites, or spaces within the premises to lessees while not entailing or contemplating the conduct by the entity of any business within or in connection with the premises;
- own motels, trailer home parks under certain circumstances; and agricultural land, under certain circumstances.

If the entity engages in the conduct of a commercial, industrial, agricultural or other business or professional enterprise directly related, or incidental, to the ownership of real property, the entity will not be exempt. Some examples of this are the ownership and operation of a hotel, shopping center, or industrial park where the entity is involved in a business therein; other examples include owning and operating farmland with income derived from growing crops.

For more guidance in this area, contact [editor@enforcementreporter.com](mailto:editor@enforcementreporter.com).