NORTHBRIDGE PROPERTY PARTNERS / EXECUTIVE BRIEF

Unregistered capital raisers: decision brief

$15 million accredited-investor Regulation D real-estate offering | Current through September 8, 2026

Board conclusion	Why
Pause the proposed five-person, 7% 'capital partner' program.	Outside people would target investors, distribute and explain the PPM, answer questions, arrange calls, encourage investment, and be paid only when capital closes. That combination creates severe broker-registration risk.
Phase 1 can proceed only as a genuine non-sales engagement.	A fixed $20,000 fee is lower risk when work stays internal: data room, issuer narrative, workflow, and selection of counsel or a registered placement agent. No investor targeting, contact, persuasion, negotiation, subscriptions, or funds.

What the law means in plain terms

An exempt offering is not an exemption for the seller. Federal law generally requires a person acting as a broker to register. The analysis is functional and weighs solicitation, recommendations, negotiation, transaction participation, regularity, and transaction-based compensation. A success fee is a strong indicator, not an automatic one-factor test. Issuers generally may sell their own securities, but outsiders and issuer personnel require separate analysis. 15 U.S.C. § 78o(a)(1); SEC Guide to Broker-Dealer Registration; SEC v. Feng, 935 F.3d 721 (9th Cir. 2019); SEC v. Kramer, 778 F. Supp. 2d 1320 (M.D. Fla. 2011).

Changes that do not reliably fix the problem

Variant	Board reading
Pay an LLC	The payee label does not change the individual's sales activity and may add a separate-entity issue.
Use equity instead of cash	Value tied to funded subscriptions may still be indirect transaction-based remuneration.
Retainer plus closing payment	The closing component remains linked to securities sales.
Delay payment	Timing alone does not change what earned the fee.
Say 'introduction only'	Helpful only if actual conduct stops there; PPM explanation and encouragement contradict the label.
Use accredited investors	Relevant to Regulation D, not decisive for broker status.

Defensible routes

- Engage the registered broker-dealer entity; use appropriately associated and supervised people for investor-facing sales work. SEC Guide to Broker-Dealer Registration; FINRA Rule 2040.
- Use genuine issuer personnel only within a documented Rule 3a4-1 or counsel-approved framework, with no transaction-based pay for safe-harbor reliance. 17 C.F.R. § 240.3a4-1.
- Keep consultants on fixed/time-based, internal deliverables with activity monitoring and a strict no-investor-contact boundary.

Consequences and next 48 hours

Possible consequences include SEC injunctions or cease-and-desist orders, penalties, disgorgement, bars, contract/fee disputes, state-law exposure, and later financing or diligence complications. Issuer/principal liability, investor rescission, and criminal exposure are not automatic. Criminal liability under Section 32 requires a willful violation and conviction. If outreach has started, pause new contacts and payments, preserve records, and obtain privileged federal-and-state advice. 15 U.S.C. § 78u(d); 15 U.S.C. § 78cc(b); 15 U.S.C. § 78ff(a); SEC, Ranieri Partners Press Release No. 2013-36 (Mar. 11, 2013).

Recommended resolution Decision: approve only the non-sales Phase 1 scope; do not launch Phase 2 as drafted; direct counsel to document a registered or issuer-personnel pathway before any further investor outreach.

Educational summary, not legal advice. Outcomes depend on actual facts, jurisdiction, and current law.