

## California Hotel Raises \$1.5 Million via Crowdfunding

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On July 22, 2014, **Realty Mogul** and **Kittridge Hotels & Resorts, LLC** announced the successful raise of \$1.5 million in equity capital for the 163-room luxury Hard Rock Hotel located in **Palm Springs, California**. According to Realty Mogul, 85 individual investors across the United States participated in the offering, which required a minimum investment of \$10,000 per investor. The offering began April 16, 2014 and with the sell-out of the offered equity interests, the hotel's majority owner has the first operating hotel in the United States to successfully use crowdfunding to raise capital. In addition to owning an equity piece in the Hard Rock Hotel Palm Springs owner, individual investors are entitled to VIP benefits including free use of the hotel owner poolside cabana, discounts on certain room rates, and free room upgrades.

The hotel owners used Realty Mogul to assist in the capital raise. Realty Mogul is an online marketplace for accredited investors to invest in real estate through the company's web platform which allows accredited investors to review pre-vetted real estate investment opportunities.

The type of "crowdfunding" offered through a web platform such as that operated by Realty Mogul is available only to accredited investors. Such offerings became available as a result of a part of the JOBS Act legislation which became effective in July 2012 permitting general solicitation and advertising of certain unregistered securities offerings, including through the internet, as long as all investors purchasing securities in the offering are accredited and the issuer of the securities has taken reasonable steps to ensure all investors are accredited. Under previous law, general advertising and solicitation of an offering generally were not permitted for "private" securities offerings, i.e., securities offerings not registered with the SEC.

Currently, an individual accredited investor generally is one who has a net worth, alone or with his or her spouse, of \$1 million or more, exclusive of his or her primary residence, or has had income of \$200,000 alone or \$300,000 together with his or her spouse, in each of the past two calendar years and who reasonably expects to have such income in the current year. The SEC currently is reviewing whether to revise the qualifications for accreditation. Another portion of the JOBS Act requires the SEC to enact rules to permit general crowdfunding to all investors, including non-accredited investors, but the rules necessary to implement such legislation have yet to be promulgated.

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