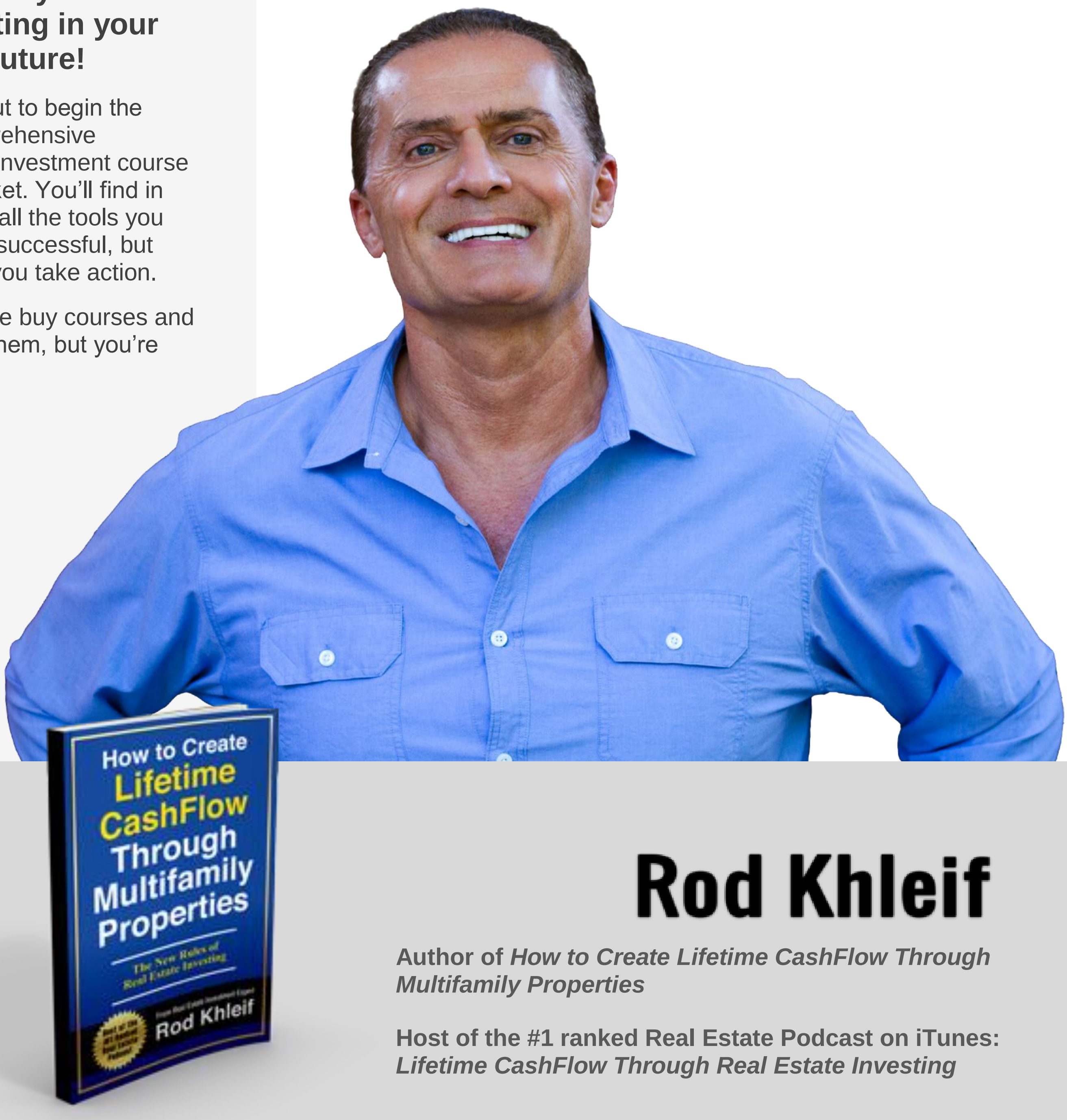
The Lifetime CashFlow Academy

Lifetime CashFlow Through Multifamily Properties

Thank you for investing in your future!

You're about to begin the most comprehensive multifamily investment course on the market. You'll find in this course all the tools you need to be successful, but only when you take action.

Many people buy courses and never use them, but you're different!



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Host of the #1 ranked Real Estate Podcast on iTunes: *Lifetime CashFlow Through Real Estate Investing*

MODULE

7

Successful Syndicating

Rod Khleif

Lifetime CashFlow

Through Multifamily Properties

The Lifetime CashFlow Academy

Successful Syndicating

Key Points

- Success Leaves Clues
- Building Your Syndication Team
- What You Need to Know About Securities Law
- Securities Exemptions
- Structuring Your Capital Stack
- Syndication Documents
- Marketing Your Offerings
- Believe in Yourself

Key Terms

Syndication: In real estate, pooling group members' resources (both money and services) to purchase an asset that will yield a sufficient return to pay the syndicator and the investors from cashflow during operations and/or equity on refinance or resale.

Investment Contract: A legal agreement where passive investors no longer control their money and rely on a promoter to provide a return on their investment.

Capital Stack: the combination of funding sources to complete a deal.

Distributable Cash: the amount of cash left after operating expenses, reserves for improvements, and senior debt service are paid, which can be distributed to investors.

Brand: a name, term, sign, symbol or design that identifies and differentiates your business.

Elevator Pitch: a short description of your company and mission that you memorize as an answer when someone asks what you do or utilize when seeking partners and/or investors for your real estate investments.

Success Leaves Clues

Studying and learning from people who have already achieved success is the best and fastest way to reach success yourself.

If your grandmother makes the best pecan pie, and everyone says nobody can make it like she does, does that mean you can't make a pie as delicious as hers? No! If you study every detail of her ingredients and techniques, work with her, watch, and listen, you can replicate her results.

The same is true of success in all fields.

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I encourage you to find a mentor in a business similar to yours and study what they know with a high level of detail.

The wealthiest, most successful people have done this. Marc Benioff, CEO of Salesforce.com, worked under Larry Ellison at Oracle before he founded his company.

We have so many ways available to us today to research successful people. There's no need to reinvent the wheel. Successful people have written books, and they offer courses, mentoring, and coaching.

They can teach you tiny nuances that bring exponential results, just like a tiny ingredient can make your grandmother's pecan pie outstanding.

People are sometimes afraid of rejection or judgement and hesitate to ask a mentor to teach them. But successful people are usually happy to teach and help others succeed. They want to share what they've learned from years of hard work and mistakes.

So find your mentors and read their books, offer to work for free, interview them. They will help minimize your mistakes and maximize your efforts.

Successful Syndication

Larger deals mean bringing in investors, so in Module 7 we'll hear from Kim Lisa Taylor, an attorney who specializes in creating the documents you need to put together syndications. She has written over 120 securities offerings which allowed her clients to raise as much as $400 million.

You don't need to be a securities attorney to use syndication to raise funds, but you do need to be familiar with the terms, documents and structures in order to talk with investors. Seasoned investors are familiar with it, and you need to be able to answer their questions knowledgeably.

Disclaimer: This is educational advice, not legal advice. If you would like legal advice for your situation, you can contact Kim at Syndication Attorneys.

What is Syndication?

A syndication is a group of people who are combining their resources. You, as a real estate investor, bring to the syndicate all of your knowledge and expertise and the work you've done researching the market, identifying the property, analyzing the deal and conducting due diligence.

The other members of the syndicate contribute their investment dollars passively. This, together with a bank loan, allows you to acquire a multifamily property, which you'll manage, operate and enhance, and later sell for a profit, earning a return for your investors and income for yourself and your team.

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Picking the Right Team

This is crucial to your success.

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Partners

In addition to the real estate side of this investment, you will also have the money raising side. It can be too much for any one person to handle alone. So you may need the right partners at the management level.

Strategy Coach or Mentor

A coach or Mentor will help you determine how, where, and which properties to acquire and how to take them down and manage them properly. I do not recommend taking down a large deal without a coach or mentor, particularly if it's early in your real estate career.

Corporate Securities Attorney

You'll need an attorney who specializes in securities to set up your companies and decide how to split money with investors. This part of the syndicate deals with federal law so this attorney can be anywhere in the country.

Real Estate Transactional Attorney

This attorney specializes in the purchase and sale contracts and loan documents, and would need to be local and licensed in the state where the property is located.

Rehab/Construction Team

You'll need a local team of contractors to make improvements to the property.

Management Team

There are two levels of management for a real estate syndicate. The company manager is in charge of the money and investors, while the property manager deals with tenants, repairs, and anything else related to the property.

Securities Law Primer

Securities law sounds scary, but this module is meant to ease your fear of it. When we're done, you'll know what applies to you and how to use it to your advantage to raise money for real estate.

Securities Act of 1933

During the Great Depression, people felt they had been defrauded by shady characters selling investments. So the US government enacted laws to put protections in place. These are regulated by the Securities and Exchange Commission (SEC) at the federal level and each state also has its own agencies.

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The 1933 act defined “securities” as many things, but the ones that pertain to real estate investments are: notes and investment contracts. We’ll talk more about these later.

The Securities Act of 1933 requires that anyone who offers or sells securities must be registered or exempt from registration.

To be registered, the government requires you to fill out paperwork that makes it clear who you are, what you’re doing, and that you are not defrauding anyone.

Exemptions have another set of rules that must be followed.

In addition to defining securities and requiring registration, the Securities Act of 1933:

- Criminalized interstate fraud
- Required disclosure, which means investors must be told all material facts and any ways they could lose money, so they can decide for themselves whether to take on the risk.
- Imposed penalties for violations

When Are Notes Securities or Not?

Isolated transactions like borrowing one time from a family member, friend or other private investor (people not in the business of lending, but who have some dollars to invest), is not a security. The SEC doesn’t care about those.

Securities law does not apply to borrowing from hard money lenders.

Securities occur when someone is in the business of borrowing money, continually borrowing from private investors. Securities law then applies.

Investment Contracts

The ‘Howey’ Test

US Supreme Court Case: SEC v. WJ Howey Co. et al, 328 US 293 (1946)

The Howey case originated in a small town in FL called Howey in the Hills. A group of orange grove owners decided to sell their groves to investors with the understanding that they would continue to harvest oranges on behalf of the investors and share the profits with them.

Later the orange growers reached a point where they didn’t want to keep harvesting, so they tried to hand over the groves to the investors. But the investors protested. They hadn’t intended to buy trees and land. They had intended to invest in an orange growing operation and the profits that came with it. The investors hired lawyers who eventually took the case to the Supreme Court. That case resulted in our current definition of an investment contract.

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An Investment Contract is:

1. Investment of Money
2. Common Enterprise
3. Expectation of Profit
4. Solely from the Efforts of a Promoter.

It becomes an investment contract when passive investors no longer control their money and are relying on you to provide a return on their investment.

Examples of Investment Contracts:

Manager Managed LLC

- Limited partnership, where some of the partners do not have decision making control
- Corporate shares or stock
- Trust interests

Examples that are not Investment Contracts:

Member Managed LLC

- General partnership, where all of the partners participate in decision making

Syndication Definition

"A group organized for a common purpose…to promote a common interest or to carry out a particular business transaction…"

~Black's Law Dictionary, Seventh Edition

Other Names For Syndicates

- Syndication
- Securities Offering
- Private Placement Offering
- Group Investment
- Private Equity Fund
- Pooled Investment Fund
- Blind Pool
- Hedge Fund

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3 Types Of Securities Offerings

- Registered
- Exempt
- Illegal

Like tax exemptions, if you follow the rules, you'll stay on the right side of the law.

Who Doesn't Follow Securities Laws?

- People who don't know the rules.
- People who don't care about the rules.
- People who are in denial and don't think the rules pertain to them.
- People who end up in jail.

We don't want you to be in any of these groups.

Also avoid these people if you invest money. It will put your money at risk.

Joint Ventures vs Securities

Like the Howey Test, but…

1. Investment of Money
2. Common Enterprise
3. Expectation of Profit
4. Everyone is an Active Manager – No Passive Investors!

Issues with Joint Ventures

1. Unanimous decisions from all members on most major issues
2. Who has authority to make decisions
3. Delegation
4. Too many decision-makers
5. Advertising a joint venture, but treating it more like a security

Securities Exemptions

- Dollar limits on the amount of money you can raise
- Limit the number of investors
- Financial qualifications for people allowed to invest
- Limited or no advertising. One-on-one investor discussions only.
- Required to disclose risks to investors

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- Required filing of securities notices with state and federal agencies

Trying to determine on your own how the exemptions apply to your situation is where you could go wrong. You shouldn't try to copy somebody else's securities offering and make it your own. There are many nuances and tax considerations that go into custom tailoring the documents for each situation. That's when you need a securities attorney.

Investor Qualifications

Accredited Investor

Any one of these:

- Over $1million net worth, excluding equity in their primary residence
- $200K individual income, expected to continue indefinitely
- $300K married couple's income

Sophisticated Investor

A person with knowledge and experience in financial and business matters sufficient to understand the merits and risks of the prospective investment.

Common Federal Exemptions

Description	Reg D, Rule 506(b)	Reg D, Rule 506(c)	Reg A (Tier 2)	Regulation Crowdfunding
Dollar Limit	None	None	≤ $50MM/12 Months	≤ $1MM/12 Months
Advertising	No, pre-existing relationship required	Yes	Yes	Yes
Suitability Standards	Accredited; 35 Sophisticated	Verified Accredited Investors only	Unlimited Accredited; Unaccredited - 10% of net worth or gross income	Unlimited #2k investors; 5% limit of NW or Income <$100k; 10% limit of NW or Income
SEC Pre-Approval	None	None	Yes, estimated ≥ 6 months	Must use SEC Approved Funding Portal
State Pre-Approval	None; File Notices	None; File Notices	None; File Notices (like 506)	Rules pending
Audit Required	No	No	Yes	Independent Review if >$500k
Reporting	No ongoing reporting	No ongoing reporting	Ongoing annual, semi-annual and current event reports	Through Portal

Reg. D, Rule 506(b)

- Most common
- No dollar limit (hedge funds use it for billions)
- No advertising allowed, must have pre-existing relationship with each investor before making offer

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- May be cumbersome
- No pre-approval, have to provide paperwork showing how you complied with rules of the exemption if audited. Your attorney will file the paperwork for you.
- Fees about $150 in most states, but New York can charge up to $1000-2000. The syndicator is responsible for fees.

Reg. D, Rule 506(c)

- Allows for reaching beyond pre-existing contacts by advertising
- Investors have to be qualified with verification

Regulation Crowdfunding

- New in 2012
- Not recommended for real estate
- May be too slow to meet closing dates
- Not enough control

State or Federal Laws

State rules apply only when all investors, you and the property are all in one state. Because most deals involves people and property in more than one state, you will usually follow federal rules.

Which Exemption Is Right For You?

Questions your attorney will ask you about your securities offering:

- What are you investing in?
- Where is the property?
- Where do you live?
- Where are your investors?
- What are all of your sources of funds? Your own money, hard money loans, bank loans?
- How much money do you have to raise?
- Who do you think your investors will be?
- What are your investors' qualifications? Would they meet the rules for accredited or sophisticated?
- In what states do your investors live?
- What are your deadlines for raising money? A public offering takes 6 months to a year for approval, but private offerings under Reg. (b) or Reg. (c) can be ready in about 30 days.

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Structuring Your Offering

Always try to get a bank loan first. It's the cheapest source of money and will give you a higher return for your investors because you will pay a lower interest rate for a large portion of the money.

What Will You Do With The Money?

Acquisition/Takeover Financing

- 50% to 80% of Purchase Price, after bank loans

Gap Funding

You need to raise money for more than just the purchase price.

- Acquisition fee to purchaser
- Down payment
- Closing costs
- Operating reserves
- Rehabilitation of property

Types of Investors

Private Lenders

- Hard to use for gap funding because institutional lenders often prohibit secondary lenders.
- Fixed Interest
- Shared Appreciation
- For smaller properties, may have limited use in multifamily investing business
- Promissory Note
- Offer interest
- Offer periodic payments
- Default remedies in the event that payments or loans are not paid
- Personal guarantee
- Adversarial – Pay or else!

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Equity Investors

- Better for gap funding

- Split profits with management team
- Preferred return plus profit split, most often used
- Share distributable cash only if there is any: don’t have to use personal savings
- Manager determines the amount of distributable cash: a promissory note with interest would not give the manager this flexibility.
- No default remedy: manager can hold back cash for the business and investors can’t force you to pay them if the property didn’t perform as projected.
- No required payments
- Preferred return pays the investors all of the distributable cash until the pre-agreed amount and then profits are split with the management team.
- No lender prohibition: bank lenders don’t prohibit this type of investor because it requires their debt payments to be satisfied before equity investors receive any money.

Your Capital Stack

This is your combination of lenders to finance the deal.

- Bank/institutional financing, first choice
- Hard money/bridge loan: for properties with occupancy levels too low to qualify for a bank loan. If you fund the purchase with this type of loan, you would work to raise the occupancy with better marketing, property improvements, etc. When you’ve reached a high enough occupancy rate, you would refinance with bank loans.
- Private lenders, may be prohibited by institutional lender
- Equity investors, as discussed above if private lenders are prohibited
- Split profits
- Preferred return plus profit split

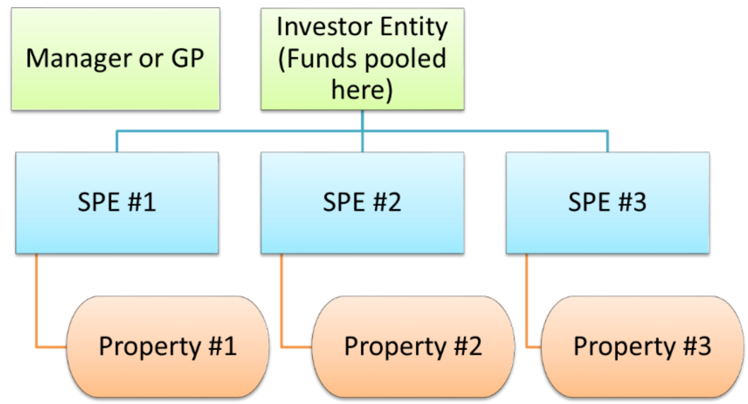
Joint Venture

The Member LLC1 and LLC2 can be one person or you and your syndicate or a private equity fund.

Example: $5million property, you and your syndicate bring $2.5million and an equity fund brings $2.5million. The joint venture will own the property.

In a joint venture all members must actively participate. In this example, the private equity fund may have takeover rights if the property doesn't perform as projected.

Pooled Investment Fund

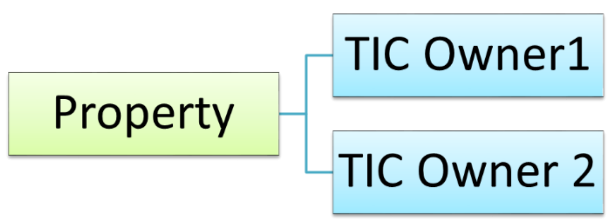


SPE is Single Purpose Entity.

This can be structured to pool all the money and distribute it equally for all the properties, or it can be segregated for each property.

Manager entity will also be an LLC.

Tenant In Common



TIC owners hold deeded title to real estate. It was more common in the past, but the SEC determined a few years ago that these are securities and need to be treated with those rules. So it's not used as much now.

Use this for investors who need a 1031 Exchange. This investor would be one of the TIC owners, while the other would be you and your syndicate.

Make sure the TIC owner has plenty of capital to bring to the deal because this structure will double your legal costs.

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How You the Syndicator Gets Paid

Fees

These fees pay the management team for their work and are paid as expenses of the company prior to determining distributable cash. Fees keep your company going during the time it takes to generate enough distributable cash to meet the preferred return and then distribute money to your company.

- Acquisition: 1-4% of the property's purchase price
- Asset Management: 1-2% of the gross income
- Refinance: 1-2% of the new loan amount
- Disposition: 1-3% of the sales price
- Commission if you have a real estate broker's license

Distributions

- The bulk of your payment, profit split.
- Share of cashflow
- Share of sales proceeds

Fees are taxed as ordinary income. Distributions are taxed at capital gains rates.

Syndicator Choices

You'll make these decisions with your corporate securities attorney.

- In what state will you form the entity that takes title and the management entity?
- What percentage of interests is the syndicator keeping and what portion will be sold to the investors?
- What minimum dollar amount would you need to close the deal and what maximum amount will give you a cushion for unexpected expenses after you take possession of the property?
- What is the minimum purchase amount an investor would have to make to join this deal? This depends on your experience, who you know, and the size of the deal, but it's typically $50,000.
- For what duration of time will you own the property? It's best to state a range and stipulate that it's dependent on market conditions.

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- What is your exit strategy? How will your investment group dispose of the property? Some options would be converting it to condos, selling it, or 1031 exchanging it for another property.
- What type of investors will work for this property - equity, debt or both?
- What will you offer the investors?
    - Straight split: spelled out as 50/50, 60/40 or another percentage
    - Preferred Return
    - Both

Offering Document Checklist

Private Placement Memorandum (PPM)

This document, also referred to as a real estate prospectus or offering circular, follows a format prescribed by the SEC. It is a disclosure document which details all the ways investors could lose their money or not receive the return you've offered.

These documents are attached to the PPM:

Investor Agreement

This could be a promissory note or investment contract. This creates the contract between the management team and the investors.

Subscription Agreement

This certifies that the investors have read all of the information from the syndicator, received tax, legal, and any other advice they required, and they understand the risk of losing their money. It also states the amount they will invest.

Investment Summary

This document describes the details of the property and what you plan to do with it. It will include its location, characteristics, and projected income. It's usually about 15 pages long and should be written with some sizzle because it's what you'll show your investors to get them interested in investing with you.

One caution: don't show this to potential investors until your corporate securities attorney has checked it for red flags.

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Supporting Documents

These are generated during due diligence.

Form D Filings

These will be filed by your attorney.

State Securities Filings

Your attorney will file these as soon as you know in which states your investors reside. You have 15 days to file these to receive the exemption.

A PPM shifts the risk of loss from you to the investors. By signing the PPM, the investors certify that they knew the risks and bought into the investment anyway.

How Will You Market Your Offering?

Traditional

- Family & Friends
- Broker/Dealer

Internet

- Email Marketing Campaigns
- Crowdfunding

Three Steps to Success as a Syndicator

1. Create marketing tools to meet new prospective investors and show them your offerings.
2. Build and maintain investor relationships to keep them interested in your company while you look for deals.
3. Make offers and fund your deals at the right time with the right tools.

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Marketing Your Syndicate

When your potential investors know, like and trust you, they will do business with you.

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- Familiarity: You want to show investors you're in business for the long term.
- Credibility: You want to show investors you have a team that can get the job done.
- Trust: You want to show investors you won't disappear with their money.

A Brand is "name, term, sign, symbol or design, or a combination of them, intended to identify the goods and services of one seller … and to differentiate them from those of other sellers."

~American Marketing Association

Marketing Tools

- Company name
- Logo and brand colors
- Business cards
- Website
- Company Brochure: Also called print collateral, a printed brochure is like a "website" on paper that you can hand to people when you meet them in person.
- Pitchbook: Also called an Investment Summary, this is the meat of the specific deal.
- Stationary
- Newsletter
- Conversation starter, also called an "elevator pitch" or "magic statement", this is a short description of your company and mission that you memorize as an answer when someone asks what you do.

Tips for Naming Your Company

- Memorable
- Easy to spell
- Easy to pronounce
- Simple visual element, ex. "Blue Sky Investments"
- Positive connotation, positive, fun, humorous, inspirational, sophisticated
- Unique: After you've brainstormed a few names, you can find out if someone else is using them by going to GoDaddy.com or NameCheap.com to check domain availability. It's also a good idea to Google the names you're considering to check for possible negative associations with the words. Someone of shady character may have used it in the past and you don't want to pick up their reputation inadvertently.

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A Formula for Coming Up with a Company Name

Marketing expert Seth Godin, recommends choosing a name and sticking with it. Regardless of what the words mean, people will associate your business name with you and your reputation. And don't worry about what your friends, family or colleagues think of it. Before long everyone will be used to your business name.

Choose one or two words, like Blue Sky, Mountain Peak, Horizon, Vista… then add one of the following words after.

- Group
- Holdings
- Properties
- Management
- Partners
- Capital

Logo

Once you have a company name, you'll need a logo. It should be clean, simple, and not cluttered. Logo design is a specialized art and you want a logo that subconsciously suggests a professional company. So it makes sense to hire a graphic designer to create your logo. This does not have to be expensive! Visit 99designs or Upwork to get this job done.

> Each LLC will have a name and branding package beginning with your management team. You'll also need LLC names and marketing for each property.
>
> Form your management LLC in the state where you live, regardless of other advice you may hear.
>
> Form your investor LLCs where the properties are located.
>
> And always form your companies with the advice of an attorney to avoid complications and negative tax consequences.

Website and Brochure or Pitchbook

Your business card is an invitation to visit your website. So expect people to look you up online after you hand them your card. Your website is your main hub for building familiarity, credibility and trust.

What to Put on Your Website

Your website starts with empathy for your potential investors. You want them to know you understand their pain points and what they most want. A great website features the word "you" many more times than "I", or "we".

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Your website should explain your company mission, vision, and purpose. Investors want to know why you're in this business.

You'll also want to cover how you achieve results and what your investment strategies are.

Biographies for each of your team members showing their experience and past results will go a long way toward building trust too.

There are numerous best practices and strategies for getting the most from your website, from copywriting to design to search engine optimization. You'll get much better results if you hire web design and content creation professionals. You can work with a local marketing agency or visit Upwork to find them.

If you're new to syndication, it's wise to team up with somebody who has experience in investing in multifamily property for your first deal or two. Join their management team and help with all aspects including finding deals, doing due diligence, finding investors, and helping with legal documents. Soon you'll build the experience to strike out on your own.

Conversation Starter

To find investors, you'll need to have conversations with lots of people, and we all know the hardest part of conversations is starting them. To solve this, you'll want to develop what's called an "elevator pitch" or "magic statement". It's a short answer to the question, "What do you do?" You'll want to develop your statement and practice saying it so it rolls off your tongue naturally.

Elevator Pitch Elements

Compelling Company Name

If it's descriptive of what you do, that can help, like Syndication Attorneys or Marina and Resort Investments. But if it's not, it could peak interest and invite questions, like Squidoo or Flickr.

Cool Title

Avoid "president" because people assume they know what that involves. Come up with a title that will invite questions like "hedge fund manager" or Marketing Director.

What You Do for Whom

We help [who] do [what]

"We help people like you invest in commercial real estate."

"We put together small groups of investors like you to buy commercial real estate."

"We help people make the most of their savings through real estate investing."

Educational Information

When you provide useful free information on your website or as printed items you give to your contacts, you show your expertise and build credibility, familiarity and trust. This is often referred to as content marketing.

Here are some examples:

- Newsletters, both print and by email
- Free reports
- Live seminars
- Webinars
- Articles, blog posts, website resource pages
- Books, ebooks, kindle books, white papers, case studies

The Value of Contact Information

Providing free information on your website offers an added benefit. You can set up some simple technology to exchange free downloads for email addresses and other contact information.

When you build a database of prospective investors with their contact information, you're able to follow up and keep the relationships going.

There are several advantages to this:

- You can gauge how much interest each person on your email list has, especially if you invite responses to your emails and comments on your blog posts.
- If someone shows a high level of interest, you can schedule a meeting with them.
- You will have a large number of pre-existing relationships already in place when you need investors for a 506(b) offering.

Hosting free live seminars that provide education about real estate investing is an invaluable way to make contact with investors. Once they meet you face to face and hear your expertise, they will be much more likely to trust you.

Most of my clients are opting for 506(b) offerings so they can bring in investors who are not accredited that they've met at networking events like this. Just make sure you don't pitch your deal at the initial seminar event.

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Investment Summary

Part of the PPM, the Investment Summary is a document about a specific property. It provides information on:

- What you are buying
- Why you are buying it
- Return on investment (ROI)
- Projections
- Exit Strategy for the property and the investors
- Your track record on deals exactly like this one

Customer Relations Management (CRM)

Keeping contact information and details about your potential investors organized is essential. To do this you need a CRM.

- Gathers, stores, and sorts contact information
- Provides a place to record details of conversations with investors
- Maintains a mailing list for email drip system
- Delivers newsletters and announcements
- Offers free educational information in the form of ebooks, blog posts, reports, etc.

Use Your CRM to Maintain Relationships

- Newsletters
- Informational email blasts (not offers)
- Invitations to free events
- Reports on new topics

If you'd like a CRM that does it all, take a look at HubSpot. It's expensive, but comprehensive. There are numerous marketing agencies and freelancers who specialize in providing content for HubSpot subscribers too. If you'd like something free to get started, check out Really Simple Systems for your CRM and MailChimp for email newsletters.

Like website content and design, email marketing involves many strategies and best practices. You'll get the best results when you hire a writer specializing in content marketing for this. Copywriters are well-versed in the psychology of persuasion and can craft messages that make people take action.

3-Step Relationship Process

- Introduction
- First Date
- Make Offer

Introduction

First you need to meet people who may want to invest their money in real estate. Where do you find them?

- Networking events hosted by local business and civic organizations
- Chance encounters
- Hosting free educational seminars about investing

What to do:

- Introduce yourself
- Exchange contact info
- Make a date to discuss further

First date

- This could be in person or on the phone.
- Don't just talk about yourself. Ideally both parties will ask about each other.
- Determine the prospect's suitability as an investor. Ask questions to find out whether he may be accredited and/or sophisticated.
- Find common ground.
- Feel out your compatibility. Do you like each other enough to be business partners over the long term?
- Explain your business.
- Provide an investor questionnaire, a one-page document you can find online.

Analyze how this person could fit into your investment company.

4 opportunities

1. Passive Equity Investor, for those who want to invest cash
2. Passive Debt Investor, for those who want ROI, have self-directed IRAs, or seller financing
3. JV Partner/Co-manager, for those who know investors or have a line on deals
4. Loan Guarantor/Sponsor, for those who have a personal net worth high enough to guarantee a loan

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Suitability Questions

- You're not an investment advisor, but you do have an obligation under securities law to make sure what you have to offer is suitable for your potential investor. You can find out by asking these questions:
- Does the investor have a realistic idea of how much your offering will yield or return?
- Discuss how much cashflow your deals will generate and how that fits in with their plans.
- What are their concerns about the safety of their money?
- Are they concerned about liquidity or can they leave their money invested for a number of years?
- You'll want to talk about "Upside Potential" and what equity share they could receive on resale.
- Is this investment complementary to their other investments providing diversity?
- Is this investor interested in non-financial factors, like management control, prestige, etc.?

Remember: People invest in you first - then in your business.

> ***Investors are not as concerned about the return as they are about getting their money back. They want to make sure you aren't going to run off with their money.***
>
> ~Kim Lisa Taylor

The Passage of Time Rule

For 506(b) offerings, the SEC requires a passage of time between the first meeting and making an offer. You have to have a pre-existing substantive relationship.

That's why you need to keep in touch and follow up during the passage of time. You also need to show a record of this contact over time to stay within the SEC regulations. And here again, the CRM makes this all manageable. Everything should be in writing in case you ever need to go to court.

Part of showing a relationship involves knowing about your investors' financial situations. You do this through the investor questionnaire and the suitability conversation.

MODULE 7

NOTES

Making Offers

With all of this accomplished, you can begin to make offers.

You do that by sending them your Investment Summary and asking if they would like to make an investment. This is when you'll see checks arrive.

Maintain the relationship after making offers. Keep touching the investors, but not with annoying frequency.

- Newsletters
- Email blasts
- Webinars
- Live events
- Gifts

Rules for Making 506(b) Offers

- No advertising unless your exemption allows it
- No sending offers via email blasts
- No posting offers on your website
- No making offers to groups of strangers

Offers allowed with a 506(c)

- Host a seminar to present your deal
- Email blasts
- Post on website
- Present at local real estate investment group meeting

However, 506(c) requires that all investors in the deal be accredited.

What to Do Now

- Create Marketing Materials.
- Set up Website & Newsletter.
- Choose Company Name/Brand.
- Develop Conversation Starters; practice and try out on people you know.
- Prepare Educational Seminars or Reports.
- Write Your Investment Summary, now if you're doing a blind pool, or when you have a specific property under contract.
- Work with your coach!

NOTES

Don't invest money in hiring a securities attorney until:

- You have the property under contract. (You have a purchase and sale agreement.)
- You have physically visited the property.
- You've reviewed the property financials.

Once these conditions are met deals rarely fall through.

Set up your marketing strategy. It takes time, but it's necessary. You can speed up this process and get a much more professional and effective result by hiring a content marketing strategist. It's easy to find these professionals by searching on Google for an agency or as a less expensive option you can hire freelancers through a site like Upwork.

The Power of Believing in Yourself

Find the video on Module 7, Video 14 at 20:50

Just about anyone who has ever accomplished anything has had numerous setbacks on their road to success.

They all feel fear, or what achievers call "stress".

> ***"When you doubt your power, you give power to your doubt."***
>
> ~Honore de Balzac

But people who believe in themselves get back up and focus on their goals. They believe in their ability to get back on their feet and make things happen again.

If you want to change the world, you need to master this belief in yourself.

You're more powerful than you can possibly imagine.

How to Tap into Your Power and Strengthen Belief in Yourself

Remember to celebrate your wins, even small ones.

Be proud of your accomplishments.

Focusing on accomplishments makes them grow and improve.

Watch your self-talk.

Be sure your questions are empowering you.

Consciously focus on the positive and resist the natural tendency to focus on the negative.

You wouldn't verbally abuse someone close to you, so don't do it to yourself.

Take action. Take that first step.

NOTES

> *"If you hear a voice within you say, 'You cannot paint,' then by all means paint and that voice will be silenced."*
>
> ~Vincent van Gogh

Make sure your environment empowers you. Post signs on your walls that say "I am ____________" and fill the blank in with positive traits.

Dream big, have big goals, know your whys.

Be grateful. It's a powerful emotion.

Keep a gratitude journal where you write down your wins and magic moments to remember.

In business you need other people to believe in you, and for that to happen you have to believe in yourself and your abilities.

Find your true purpose in life. When you're doing what you love, work is play and setbacks are just little blips.

Stay away from toxic people who squash your dreams.

Make sure your close circle is a positive group.

We all have self-doubt at times, and that's OK, as long as we pull ourselves up and realize we're a gift from God.

Push yourself. Get past your comfort zone.

Embrace some uncertainty.

Live an extraordinary life.

Module 7 Most Common Mistakes

- Not taking action on finding investors and syndicating due to fear
- Thinking syndicating is only for "big time" investors
- Thinking you can only syndicate large 100+ unit complexes

MODULE 7