THE INSIDE GAME TO...
SYNDICATION WEALTH

“8 Steps to a Wealthier Life”

CRAIG HASKELL

THE ULTIMATE GUIDE FOR REAL ESTATE PROFESSIONALS
8-Steps to a Wealthier Life

THE ULTIMATE GUIDE FOR REAL ESTATE PROFESSIONALS

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INTRODUCTION

I am happy to have the privilege of offering you an inside look into the game of syndication for real estate professionals as a means of building your wealth. My goal is to open your eyes to the possibilities of learning how to syndicate your own real estate deals at one of the most important times in our country’s history.

We are sitting on the precipice of exciting times for real estate syndicators to build real wealth. A few short years ago, syndicators struggled to find investments that made any economic sense. Real estate prices were inflated well above many standards of reasonableness. The investor herd mentality prevailed as real estate prices continued to climb to unprecedented heights. But, as things usually do, things changed.

A great credit crisis hit our country in late 2008, causing a severe collapse in both the residential and commercial real estate markets. The real estate market collapse led the economy into a deep recession. The U.S. unemployment rate soared to almost 10%, personal and business bankruptcies skyrocketed, real estate construction came to a halt, real estate foreclosures jumped to multi-decade highs, and real estate prices dropped by 50% in some areas of the country. The big real estate balloon popped, and did it pop!
Just like when real estate prices got too high at the peak in 2008, they now have gone down too low, well below replacement cost in many areas. The economy is picking back up again, demand for real estate is increasing and the job market is improving. My friends, this is a perfect set up for real estate value investors. Prices have fallen to the point that real estate deals pencil and make sense again. Syndicators, it’s time to get in the game and build your wealth.

So, in this book I am going to be talking about the things you absolutely must be doing to grow your wealth by 10x, especially with your advantage as a real estate professional.

And, since you are a real estate professional, you already have most of the things you need surrounding you to make this happen. I'm just going to open your eyes and focus them on what you MUST be doing to transform your business, which will transform your life.

This book is for you if you're a service provider to the real estate industry. You might be:

- A real estate agent who works with buyers and sellers.
- A loan agent who places loans for property owners.
- An executive for a real estate company
- A property manager who manages properties for investors and owners of real estate.
• A real estate investor looking to step up your game.

• An attorney or consultant working with clients who are in the real estate game.

• A banker who places money for investors.

• A construction contractor working with property owners and managers.

And, there are many other types of service providers. So, if your profession is related, in some fashion or another to the real estate industry, and you provide some type of service, then this training IS for you.

This Book is Aimed at Helping You Take...

...what you already have on your plate - the resources and assets you have - and taking that to transform and build your wealth.

And you know, I'm glad you are reading this because this is going to be MASSIVELY transformational. I want you to understand that what you learn in this book will absolutely help you.

But here are a few things I want you to hear from me, which is, in order for you to transform - to change - first you have to willing to say...enough is enough. Enough is enough already. Because I have this philosophy that people don't change - REALLY CHANGE - until they've had enough.
Think about all the people that overcome some sort of addiction. Right? They don't overcome the addiction UNTIL they get to the point of saying and believing - enough is enough.

So, I'm sorry to be so confronting off the bat, but I have this experience and belief that in order to truly change, you have to be willing to change lanes, and start driving in a faster lane that leads you to where you really want to go...to more wealth in your life.

Again, to get there, you have to be willing to say - enough is ENOUGH! You have to believe...I'm not willing to do it the way I've done it before. THEN, you have to be 100% committed to learning a new way. You have to commit to mastering a new way of looking at and running your business.

Particularly, how you can buy your own deep value properties with investors because that's what I'm going to focus on in this book.

Now, the reason I am saying this is because, in my experience, I have discovered that in order to become TRULY successful and to really achieve the level of recognition in the world that you desire ...you must become ABSOLUTELY committed and decisive!

And so, I want to share my commitment to you, which is...I am committed to helping you turn your existing business, your existing knowledge, your existing experience into a reinvented and expanded business where you will start syndicating your
own deals by buying one or two undervalued properties per year with investors so that you can 10x your wealth.

I Am Going To Teach You My 8-Step Process To Build Your Wealth...

... just like many others are doing right now.

To show you a clear picture of my 8-step process, I am going to give you a case study on how a real estate professional - like you - changed his life forever, 10xing his wealth by close to 3/4 of a million dollars on just one deal.

I’m also going to show you a case study of an experienced syndicator and the type of money you can make on future deals with more experience. There are lots of experienced syndicators making 7 and 8 figures on each deal they do.

Later in the book, I going to teach you my 8-Step Dollar Hound Money Raising Process so that you have a proven system to raise money. I don’t know of any other step-by-step process in the market place that offers a predictable system to raising money from your deals. You need to read this chapter.

But ultimately, I am here to tell you the real and RAW truth about what you ABSOLUTELY need to do in your business to build your wealth in a way that is consistence with your dreams and capitalizes on your expertise...real estate.
I only ask in return that you open up and engage this as if your purpose in life depended on it because I totally believe that it does.
CHAPTER 1
Why You Need to Get Into the Syndication Game

So, let me ask you…

Why Do People Invest In Real Estate?

Why?

Some would say - Income.

Some might say - Appreciation.

How about - Tax benefits.

You've heard all these before. But, what's the REAL reason people invest in real estate?

To build WEALTH!

That's why people get into real estate to make money and build their wealth. They want to grow their savings and net worth so... at some point in their lives, they can retire comfortably some day.

I'll bet if you spent a minute or so you could think a lot of people that have built substantial fortunes in real estate. Right? But, think about this. Aren't you part of that process, in some way, helping your investors, clients or employers build wealth?
This is important. I want you to really think about this. You are part of the wealth building process for someone...your client, employer or someone that's building their wealth through real estate investments.

You might be an agent, appraiser, lender, contractor, manager, attorney or some other type of real estate professional. In one fashion or another....you're in the real estate industry.

You're focused on one aspect, one part of the overall real estate process. You're painting one part of the bigger real estate picture. You're in the real estate game; the real estate business.

So, think about this:

**Why Did You Get In The Real Estate Business?**

- To work on buildings?
- To meet new and interesting people?
- To take pleasure in the process of real estate?
- To carry on the family real estate tradition?
- To feel good about a rewarding industry?
- To get on a new path - a new career?

Now...those are all good reasons, but what's the TRUE underlining reason? What's the real reason you got into real estate? What is it? Hum?

**Did You Get Into Real Estate To Make A Lot Of Money?**

- To make a lot of money that gives you the freedom to get what you want - when you want it.
- To work the hours you want
- To buy the things you want
- To live the life you want
Do you want freedom in your life? Maybe that's a dumb question, but that's why I got into real estate. Freedom! Most of us get into real estate for freedom.

So, how's it going for you so far in your real estate career? Really! Be honest...How's that going for you?

**Here's The Facts...**

The NAR reports that the average income of a residential real estate agent is $40K and a commercial agent is $86,000. Nothing huge, but one can live a modest life.

I think we can agree that with those types of incomes it's **VIRTUALLY IMPOSSIBLE** to build wealth, let alone survive day-to-day on that type of income.

If you do make a 6-figure+ income, what does your personal balance sheet look like? Do you know? Are you continually growing your net worth?

**More Facts...**

Very few, and I mean very few, real estate professionals have achieved any kind of financial freedom entirely through earning commissions or fees, or a paycheck for that matter.

Many get into real estate to make a lot of money, like we talked about earlier, but that's not what's actually happening. What's happening? They are working day-in and day-out, working 6 days a week to survive on a relatively small income. The money they make is solely a result of their efforts.

Think about your situation.

- You work - you get paid.
• You don't work - you don't get paid.

You provide services using your time and effort, and you get paid a fee, commission or paycheck. And then, how much of that money, which you got paid for your services, is directed into investments that work for YOU?

Well, if you're like most - not much.

So, while you might be living and surviving, you're not really getting ahead. You're not getting any closer to your own FREEDOM - whatever that means to you.

One of the most popular books on money management and building wealth is called, "The Richest Man in Babylon," written back in 1926 by George Samuel Clason.

You might have heard of it or even have read it. It's a must read if you haven't read it.

Well, the book gives financial advice through a collection of parables set in ancient Babylon. One of the key secrets in the book to building wealth is to...

...Make Thy Gold Multiply. Make thy gold multiply - sounds ancient, eh?

Here's a quote from the book that describes make thy gold multiply - "Put each coin to laboring that it may REPRODUCE its kind." Let me repeat this important quote. "Put each coin to laboring that it may reproduce its kind."

Essentially, the book is saying - start having babies with your money. Then, make more babies from those babies.
It's saying to multiple your money - grow your money - get it working for you. Leverage your money, or leverage your expertise to make more money.

Let's compare two entirely different iconic entertainment talent acts - two businesses.

**Let's compare David Copperfield to the Blue Man Group**

First, let's look at David Copperfield's entertainment business. David Copperfield is an American illusionist, a magician, and has been described by Forbes as the most commercially successful magician in history.

He puts on entertainment shows all over the world, shocking the audience with his stuff wherever he entertains. ESSENTIALLY, he's a one many show.

If David Copperfield works - he gets paid. If he doesn't work - he doesn't get paid. If David's involved in an accident that puts him out of action to work - he doesn't get paid. Just like a real estate service provider.

Remember, the entertainers Siegfried & Roy? They entertained audiences with their white lions and white tigers. For years, they were the most successful act in Las Vegas. But in 2003, Roy was bitten on the back of the neck, and was critically and permanently injured.

As a result, Siegfried & Roy were put out of business. They didn't get paid. Their income and wealth building machine, pretty much, grinded to a halt.
Let's Look at The Blue Man Group's Entertainment Business

I'm sure you have heard of them. The group was founded in 1988 by three young men - Chris Wink, Phil Stanton and Matt Goldman.

The story goes that they were tired and unhappy with the 1980's. So, they held a funeral, of all things, in Central Park for the decade.

They painted their faces blue and led a procession through the park; they burned a Rambo doll and they burned a piece of the Berlin Wall.

Although they didn't know it at the time, this was the very beginning of one of the most popular entertainment acts around the world. They are fun to watch aren't they?

They are quoted as saying in Inc. Magazine - "When we got bald and blue for the first time, we knew instantly that we were on to something really special." They went on to say, "It's not like we sat down and came up with a business plan and followed it from Point A - to Point B - to Point C."

Their Formula for Success was Pretty Simple

- There are three guys in the act - the founders.
- They painted themselves blue.
- They found old PVC pipe and turned it into musical instruments.
- Added some music and comedy to the act.

And, presto... huge success. Their shows are sold out for weeks in advance.
But suddenly, early on, the light came on. They realized that if they wanted to grow, they needed to replicate themselves.

**They Needed to "MULTIPLY THY GOLD."**

They realized that they needed to take their success, and replicate it so that they could leverage themselves to make more money...without working more.

They also realized that if they didn't work...they didn't get paid.

They started with an act of three guys, and today, they have over 70 blue men. 70! If you do the math, it means they 20xed their income - 20xed! Instead of just doing one show per night, they now can do more than 20 shows per night.

They multiplied thy gold. They multiplied thy gold…**BIG TIME.** They leveraged their time, they leveraged their efforts, and leveraged their business so that they could multiply their income and multiply their wealth.

Doesn't it make more sense to be more like a Blue Man business than a David Copperfield business? Can't you reinvent your business to become more like the Blue Man Group's business?

Think about this.

Right now, you are in a position to **Leverage Your Real Estate Expertise...to multiply thy gold.**

As a real estate professional, you're already helping other people build their wealth. Right?

Why not help yourself?

Why not focus on leveraging your time, building your wealth, growing your own net worth, and buying your own deals?
Have you ever thought about leveraging the resources and assets that you already have in your business?

Why not take the hidden resources you have sitting on your plate right now and connect the dots so that you can start doing your own deals and start building your wealth?

In your current business, while you're generating new leads for your real estate business, don't you come across great deals every once in a while? Why aren't you taking those opportunities and leveraging your expertise into buying and syndicating them to build your wealth?

Why aren't you taking those great deals you find and using them to multiply thy gold?

**Come on, it's Your Game!**

Real estate is what you know. It's what you love.

You have the combination to the vault, sitting on lots of valuable resources - right now - in your business that aren't being leveraged. Not being utilized. Not being capitalized on.

These opportunities - these resources - these gems are right there in front of you. You are sitting on loads and loads of diamonds, and not cashing in on them. They're staring right at you and you can't see them or don't want to see them, probably because you're not looking for them.

But if you DO see them, why aren't you doing anything about it?

Why aren't you taking the one thing you're an expert at, REAL ESTATE, and using it to build your wealth...like all the clients you represent?
You see the opportunity to make money in this distressed market - to capitalize on today's great buying opportunity with the low prices. Why not take advantage of this opportunity - to multiply thy gold?

Tell Me If This Sounds Like You...

- You are stuck on how to get started.
- You are too busy in your business.
- You're afraid something might go wrong because it seems too complicated.
- You don't have any money to invest.
- You're afraid to raise money from investors
- You have tried before but ran into trouble - and stopped

Do any of those reasons why you're not acting resonate with you? If you think about it, the one common theme holding you back is you. YOU!

And you know what...you have control over YOU, right?

Isn't it time to get out of your own way and get into the game?

Yes! It's time to take your expertise - your knowledge - your contacts - your passion - and start syndicating your own deals so that you can build your wealth.

IT'S TIME! It's time to reinvent your business and start playing the game of syndication wealth.
CHAPTER 2
It's Time to Reinvent Your Business

Recently, I was walking with John, one of my investors, during a walkthrough of a house that we bought for $45,000. It was in the renovation process where we spent a few thousand dollars. As we were standing at the front door, I looked and pointed out to my car, sitting in the drive way and said, isn’t it crazy that my car cost more than this house. John put out his wrist and pointed to his watch and said, “Heck my watch cost more than this house.”

Doesn’t that story pretty much sum it up? We are sitting on one of the best opportunities in a life time. If you are not part of this, you are missing out. Value Hounds, it’s time to get in the game. It will change your life….forever!

Real estate is being offered at huge discounts to intrinsic values not seen since the early 90’s. In 1991, I participated in the last big boom real estate cycle by buying and syndicating apartment buildings.

We negotiated low prices, created value, made good cash flow and rode the appreciation wave during the boom cycle. In the late 90’s, we sold our properties, where my investors and I made, on average, six times our initial investment.

I wasn’t the only one that made substantial profits during the last real estate boom cycle. Many smart investors capitalized on the same opportunity. In fact, if you look at some of the most successful real estate investment companies, you will find most
of them started in the early 1990’s, right at the bottom of the cycle.

It’s my strong belief that in the next 10 years, one will look back at successful real estate syndicators and find most of them started in the 2011 to 2014 time period. This is your time. Don’t miss this opportunity to be one of those successful companies that started during this market bottom.

I Have a Question For You...

What if you could find a distressed, undervalued real estate deal that offered lots of profit potential and you could find investors to fund 100% of the deal with you retaining control of the entire process, and you could get paid for putting the deal together, what would happen to your life?

What if you could find another profitable deal, another deal, and another deal and continue to repeat the process? Could you create a very profitable business that builds your wealth and would help you make a difference in the world? What would happen to your personal and professional life?

What if you could help your investors create a comfortable lifestyle during their retirement from some of the profits they received from your syndication investments?

What if you could build a 7 figure business making a difference in others life, and create financial independence for you and your family in the process? What would happen?

Well, that’s the promise of this book. This book is dedicated to you improving your life, improving your business, getting your business out there in a bigger way, and living a life that matters. That’s what this is about.
You're Already in The Real Estate Game

Many of you are already in the real estate game as a service provider. Take for example a real estate agent, couldn’t you package up for group investment one of the profitable deals you come across and present it to investors? Sure you could. That’s the way many other successful syndicators got started.

What if you're an owner of a few smaller investment properties and wanted to build a bigger company. Couldn’t you find bigger investments and syndicate them with investors? Sure you could.

Have You Had These Problems?

Have you been frustrated seeing others succeed buying distressed real estate and you can’t seem to get going? You keep thinking that you don’t know where to start, and that it’s too complicated and expensive.

You’re afraid of hassling with tenants, and that you don't know how to raise money from investors. But you know that, if you finally got going to capitalize on today’s low priced real estate it would really make a huge impact on your financial security.

You’ve tried searching the internet for information, talking to other investors, maybe even have attended a real estate investing course or joined a real estate investment club. You’ve done all these things but you still haven’t bought your first commercial investment property or taken it to the next level.

I Know How You Feel

I had the same problems when I got started investing in real estate back in the late 70’s while I was attending college.
I feverishly read real estate investing books, went to seminars, and spoke with other investors about their real estate investments. At the very center of what intrigued me most was the large potential of making a lot of money investing in real estate without any money or credit, and only working a few hours a week…the same type of "get rich quickly" hype you hear today, some 30+ years later.

After graduating from college in 1982, I attended a number of real estate investing seminars, most notably, Robert Allen, famous for his bestselling book Nothing Down. These seminars focused on creative ways to buy real estate without putting money down using creative strategies.

I was young and had nothing to lose so without a lot of knowledge or experience, I decided to use creative strategies to buy properties with the Robert Allen’s Nothing Down system. My sole focus was to buy properties in Southern California from motivated sellers using the Robert Allen Nothing Down techniques.

I contacted bank REO departments, worked with real estate agents, sent out mailings to out-of-state property owners, advertised for motivated property owners, and contacted property owners whose mortgages were in default. I was on a mission to find distressed real estate to buy and nothing was going to get in my way.

I spent a lot of time searching for my first deal. I made lots of offers to buy from leads that I generated. I was frustrated, worn out and at wits end that I had not bought a property. Most of the feedback I had received from sellers and agents was that my offers contained little substance in the way of financial commitment. Properties were being sold to other buyers that were more qualified. My frustrations lead to concern about the viability of buying properties with no money down.
After almost two years of trying to buy an investment property, I finally realized that the good deals were available but the market dynamics required a cash down payment. Distressed property owners were in the market, but they were selling to other investors who gave them cash.

I Became a Real Estate Broker

I loved the real estate business so much that in 1984 I decided to learn the business the correct way. I got my real estate license and pursued employment with a professional real estate company. Having been burned by the real estate seminar hucksters, I wanted a more professional and sophisticated real estate career, so I took a job in the commercial real estate industry as a commercial real estate agent with a specialization in the office space.

Learning the office space, leases and building management set a great foundation for my career. On a daily basis, I was dealing with professional and sophisticated real estate syndicators helping them buy, lease and manage their commercial real estate investments.

I Learned Something Interesting

None of the professionals used nothing down techniques. What I learned was that more than 70% of professional syndicators used other people’s money to raise the equity funds to buy investment property.

They created a syndication - an investment group - and pooled other investors’ money together to buy real estate and got paid fees and backend equity profits for putting the deals together.

I looked around and noticed the biggest and most successful real estate investors such as Donald Trump, Sam Zell, and others,
created investment groups to buy their properties. I found that 70% of all commercial properties purchases were based on a syndication.

The professional syndicators weren't flying by the seat of their pants operating on a shoe string budget. They used a professional approach to investing by syndicating their property investments.

After Learning This....

....it was time for me to get back in the real estate investing game on a part time basis. Modeling what professional real estate syndicators were doing, I changed my investment strategy. I focused on syndicating undervalued properties using other people’s money.

I bought my first property in 1986. It was a $70,000 single family 4 bedroom, 2 bath foreclosure in Chino California, located close to a public golf course. I found an undervalued deal and put it under contract. I raised funds from an investor to put up the equity and improvement costs. I fixed the property up and sold it and made a $22,300 profit within a short time period. Yeah, it was a house, but it got me going.

While I learned a lot during my first deal, this became my business model. For the last 25 plus years, I have been buying undervalued deals and partnering with investors, getting paid fees, cash flow and backend equity profits.

I have gone on to build real estate investment, property management and construction companies syndicating value add real estate deals where I have owned or managed 7,200 units and 2.8 million square feet of commercial space.
Another Wealthy Syndicator - Steven Fogel

Here’s my friend Steven Fogel who is a fun person, as you can see by the skull he’s holding in this hand. He started as a real estate agent brokering deals at the young age of 20.

After a while, the learned he could make more money owning real estate versus selling it. So, he began buying and syndicating small apartment buildings in the greater Los Angeles area.

After growing a substantial multifamily portfolio, he later changed to buying undervalued retail shopping centers.

Now, after 40 years as a real estate syndicator buying undervalued retail deals, Steven has built his company into one of the largest owner-operators of retail properties in the nation with a portfolio of approximately 100 properties in 23 metropolitan markets valued at over $2.0 billion.

In the 1980’s, he wrote a bestselling book entitled, *The Yes-I-Can Guide to Mastering Real Estate*, which went on to inspire many budding syndicators, including myself. Steve is a member of my advisory board at Value Hound Academy. You can find a link to his book and an interview I did with him on my website at:

http://www.valuehoundacademy.com/members/Lessons_Learned_from_Over_40_Years_of_Real_Estate_Value_Investing__Straight_From_the_Gut.cfm

Steven used a similar model to grow his business that we are going to talk about in this book to find deals and partner with investors to build your 7 figure real estate business.
The Syndication Business is Very Simple

Like Steven, I learned that the syndication business is very simple. Match a good deal with investors and get paid. It’s that simple. It’s deals and dollars!

With today’s cheap real estate prices, it’s never been easier to build a 7 figure real estate business finding great deals where investors are eager to invest with you to make money.

I Have a Question for You...?

What if you could take your real estate experience as an executive, property owner, real estate agent, property manager, lender, appraiser, consultant or contractor and find a great investment opportunity in today’s distressed market that offers lots of profit potential?

What if you could package that deal to partner with investors and get paid fees, cash flow and equity profits for putting the deal together, and you could get it out there so that you could make a bigger difference in the world?

What if you could expand your business, adding an additional income source by finding great deals to partner with investors and get paid?

You have a once in a lifetime opportunity to be at a different place in this economy. So many people right now have been laid off, struggling to find a job, going through foreclosure and generally just getting by to survive. They are wondering what the next step is for them. What are they going to be doing next?

Unfortunately, what people think is, I’ve got to go out and get a job doing something for somebody. That’s the old economy,
where I’ve got to go do something for somebody. That’s how I make money. That’s my career.

But, in the new economy becoming a problem solver and solving problems is where the opportunities are.

Real estate property owners are struggling to pay their mortgages because properties have high vacancy and lower rents from a tough economy with high unemployment.

There are a lot of properties struggling from deferred maintenance and in dire need of renovation. Property owners are in default, foreclosure, or have been taken back by the lenders.

**Can’t You Become a Problem Solver For a Property Owner or Lender?**

Can’t you offer a strategy to solve their problem? Can’t you create an opportunity that solves a problem by bringing new capital, a new value creation plan, management experience, or resources?

Hey, these resources are already sitting on your plate. You have the connections, resources and experience to become a problem solver. Once you have a solution, can’t you find partners to fund the deals and get paid fees and equity profits?

The new economy will be driven by entrepreneurs, who are problem solvers, who uncover great value creation opportunities and partner with investors.

**It's Your Time to Grab The New Economy and Capitalize On it**

And this is what Chad Carpenter did back in the 90’s, the last great buying opportunity.
My friend and Value Hound, Chad Carpenter, started as a commercial real estate agent, just like many other real estate professionals.

While representing REO departments of banks in the 1990’s recession, selling their investment properties at 30% of replacement cost, he decided there was a huge opportunity to make money syndicating his own deals.

So, like many new syndicators, Chad began partnering with investors to buy his own deals while still working as a real estate agent for Coldwell Banker. He continued brokering deals to put food on the table while searching for great deals that he could syndicate to build his wealth.

Chad’s specialty is buying distressed commercial buildings. Chad bought a distressed office building with investors, renovated the property and made a $4 million profit in 18 months. How many commission deals do you need to do in a lifetime that equals the one syndication deal Chad did?

Chad made a lot of money syndicating undervalued real estate during the last great buying opportunity in the 1990’s. He was making his investors 80, 90 and 100% annualized returns, and as he would tell you, “Just knocking it out of the park.”

And guess what?

After the first couple of years, while he was doing his own deals and brokering deals, he was then able to focus 100% on his own deals.
He has amazed sizeable wealth where he has been involved with over $2 billion in opportunistic and value add deals in the last 16 years.

Chad was able to leverage his existing experience and resources - from his real estate brokerage business - and transfer those skills and assets into slowing buying his own deals to more than 10x his wealth.

Chad multiplied thy gold!

**When is it Going to Be Your Turn?**

You're sitting on the same opportunities Chad had back in the 90's. You're already in the real estate business, and the real estate cycle is at the bottom creating amazing wealth building opportunities.

So, how about you? Can't it be your turn?

If while working your daily real estate business - servicing clients - you found a great deal with lots of profit potential, couldn't you leverage you current business to buy one deal - maybe a small deal - with the right system?

Couldn't you?

Most people think about doing this, but in the end, fail to act. Why?

Well, because there’s a huge challenge...they think.

They think you need a lot of money to buy commercial real estate. It scares them. But, the reality is that YOU DON'T NEED A LOT OF MONEY!
You really ONLY need to be very good at finding profitable deals. Great deals!

**Money isn't the Problem**

Lots of high net worth people are searching for profitable investment opportunities. Think about it?

Where can investors find a decent rate of return today? The stock market is like gambling. CD’s rates of return are depressingly low. Where can investors find solid rates of return so that they can retire at some point?

Did you know there are many high net worth doctors, attorney, business owners and others who see the same great investment opportunity that we do? They see the opportunity of low priced real estate but don’t have the knowhow or time to pursue these distressed opportunities.

Can’t you become a problem solver and help them capitalize on today’s distressed real estate market so that everyone can make money?

Sure you can. That’s the new economy.

Now the question, ultimately is...

**“How Do I Achieve All This?”**

“How do I get from where I am today in my real estate business and add a new profit center buying my first deal and starting to build my wealth?”

Well, that’s what I am going to teach you in **my 8-step system** so that you can reach your freedom:

- To do what you want, when you want

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To provide certainty of income, and
To design the life you want

So, the question then becomes….how do you redesign your real estate business to start building your wealth?

It's easy. Just start becoming your own client - a syndicator of undervalued real estate.

So, how do you get started? What is the process? How do I do all this?

Well, that’s what we are going to start talking about in the next chapter.
CHAPTER 3
How Syndication Works

I want you to think of yourself as a "packager." A real estate packager. Because as a real estate packager or syndicator, you are packaging up deals with investors who want to invest in real estate. You are packaging dollars with deals.

The package is known as a syndication. It's bringing together partners for a business endeavor to make money. So, how does the syndication process work?

In the syndication process, a group sponsor (you) raises “equity” capital from investors for the group investment using OPM (other people's money) and packages all the investors up with the investment opportunity. When you raise money for your investment - the great deal you found, you are creating a partnership or group investment known as a syndication. You are called the syndicator or sponsor of the group investment.

One of the primary reasons many people are hesitant to invest in commercial real estate is because property values are often so high that it takes a great deal of money to complete a transaction, even when obtaining a 70% to 80% loan.
There are few people who have the financial resources needed to purchase a $5 million building on their own. However, group sponsored investments offer a vehicle for sponsors and syndicators to purchase larger commercial properties with a pool of investors.

By pooling funds together from investors using OPM, a syndication can be organized to purchase large commercial properties. Most of the largest investors in the world create group investments to buy commercial real estate. In this chapter, I am going to show you the entire syndication process and how it works.

The Power of Syndications

Why should an investment group or syndication be able to do better than an individual buyer? Simple, when you stop to look at it, there are three critical reasons why syndications fare better in the marketplace.

Here’s the way I look at it. The main problem is that there are more buyers than sellers at the bottom of the heap. Oh sure, the market is glutted with properties for sale, but that’s because the sellers can be counted. There is no way to count the buyers. So take my word for it, they are out there with “a few bucks and a sharp pencil,” and as a result, the law of supply and demand works to increase prices on those less costly properties, without accompanying gains in actual value.
Money is always a “scarce commodity.” So, with nothing down, EVERYONE becomes a buyer. But, like a poker game, raise the ante and you begin to chase people out of the pot. As the down payments and purchase prices increase the cost of “staying in the game,” you quickly begin to narrow the number of players – and by doing so you LESSEN the COMPETITION.

By using groups of investors and combining their small individual investments – with the synergistic magic of the syndication – you can move up into an echelon of higher property values where competition is far less severe.

In that rarified atmosphere, the real “bargains” abound – due to economy of scale – and with your new financial clout, outstanding profits can be made. This sweet spot, as I call it, lies between $1,000,000 and $5,000,000 in sales price - just below the institutional players but above individuals.

Syndications will do better than individuals because there is less competition of buyers at higher prices, better economy of scale from higher intrinsic value, and better synergism from a group than with individuals going their separate ways.

**Understanding the Basic Syndication Structure**

Let’s talk about some definitions and terminology used in this business so we are communicating in the same language. Understanding the entity structure is important to properly organizing your entity.
Let’s first understand that the term “syndication or joint venture” simply means organizing GROUP INVESTMENTS. And a group investment is two or more people joined together in a common enterprise usually involving “risk capital” for the purpose of conserving their equity investment and making a profit. While there are many vehicles for group investments (limited partnerships were popular in the 80’s), we are going to be concerned here with only one main type of partnership – “limited liability companies.”

A limited liability company, commonly called an "LLC," is a business structure that combines the pass-through taxation of a partnership or sole proprietorship with the limited liability of a corporation. The LLC really is a limited partnership combined with a corporation – the best of both worlds.

Like owners of partnerships or sole proprietorships, LLC owners report business profits or losses on their personal income tax returns; the LLC itself is not a separate taxable entity. Like owners of a corporation, however, all LLC owners are protected from personal liability for business debts and claims - a feature known as "limited liability." This means that if the business owes money or faces a lawsuit, only the assets of the business itself are at risk. Creditors usually can't reach the personal assets of the LLC owners, such as a house or car. (Both LLC owners and corporate shareholders can lose this protection by acting illegally, unethically, or irresponsibly.)

For these reasons, many people say the LLC combines the best features of the partnership and corporate business structures.
But, entity structure is best organized with the advice of legal and tax council.

For the purposes of discussion and this book, I will focus on the LLC entity.

**Who is the Sponsor?**

The sponsor is the group investment organizer - the syndicator. The sponsor can be an individual or an entity that lawfully pools together investors or partners for the purposes of making an equity investment into an LLC entity.

The sponsor is totally responsible for the entire investment process from beginning to end. The sponsor finds and evaluates the investment, arranges the financing, organizes the investors, closes the deal, manages the day-to-day partnership business, eventually sells the investment, and then disburses the profits to the LLC members. For the sponsor’s efforts, he or she is paid various fees and receives a percentage of the profits.

**How is the LLC Organized?**

The LLC is organized to hold title to the real estate investment. The sponsor finds partners who invest in the LLC as members. The LLC is comprised of members that own a membership interest in the LLC. The LLC will own the property with the entity name held on title.
Partners do not hold title to LLC property in their own names. They hold a piece of paper (membership interest in the LLC) that describes their interest in the LLC entity. This is no different than a corporation holding its plant and fixtures in the corporate name, with its stockholders owning an interest represented by the paper stock certificates of the company.

The LLC can be set up to be managed as MANAGER managed or MEMBER managed. Typically, the sponsor controls the LLC so the LLC is set up to be MANAGER managed.

On smaller LLC’s with few partners or relatively new sponsors without a track record, the investors or partners may want more control and request the LLC to be MEMBER managed, allowing them to be involved with on-going decisions. The way your investment LLC is managed may be a negotiating point with your investors or partners.

**Duties of the Syndicator**

Obviously, one of the most important requirements for purchasing commercial property is having enough money to complete the transaction. You will be forming a group of people to pool together enough capital to let you close a particular transaction, as well as have enough money to operate and improve the property.

They, the investors, get a portion of the income and appreciation for their funds. You, the syndicator, get the rest for finding, analyzing, purchasing, and managing the property. How income
and profits are split is a point of structure, organization and negotiation among the investment group.

When you decide to form investor groups, you run into a situation where the law may require you to take on a specific duty to fully inform your co-investors of all aspects of the property and the investment. Most people getting involved in group investments are usually under-informed or inexperienced with regard to the following syndication concepts:

- The legal aspects of the co-ownership of real estate
- Factors that affect the value of commercial real estate
- The process and responsibilities involved in property management
- The fair compensation to the group manager or “syndicator”

When you take on the role of syndicator, you actually create an “agency duty” to your co-investors. You have a higher responsibility to disclose all of the aspects that can affect a particular property investment, both good and bad. So when you form a syndication, it’s very helpful to have a checklist for all of the things you need to do so that you meet your duties and responsibilities to your partners and/or investors.

**How Syndicators Get Paid and the Types of Fees They Can Earn**

There are many various types of fees that syndicators get paid for organizing and operating a group investment. Check out below
the fees that syndicators pay themselves from the investment group funds on behalf of the partnership.

But, before I list the types of fees syndicators get paid, let’s review the cash items of a deal from a hypothetical business plan to completely capitalize (fund) the Syndication.

Syndicators create a business plan for the property investment that has the “sources and uses of funds” required to operate the real estate "property" business. This is the total amount of money you need to raise for your deal as per your business plan.

Here is a sample of possible items in the “sources and uses” of a typical business plan:

- Cash down payment to the seller of the property
- Escrow, title and closing costs
- Professional fees (legal, financial, money raiser)
- Loan fees
- Appraisal fee
- Property inspection fees
- Property insurance
- Renovation or capital improvement funds
- Cash reserves for the partnership
- Negative cash flow “carry reserve”
- Sponsor fees

The "sources and uses" will vary depending on your specific transaction. I’ve only given you possible items to consider when putting together your business plan.
A sponsor raises the total “sources and uses” funds in the syndication LLC entity. These funds are held in a partnership bank account that the sponsor normally controls. When escrow closes, the sponsor disburses funds to close the deal, pays himself his fees and keeps the remaining funds in the partnership to run the new business entity.

**Types of Fees Syndicators Can Earn**

Here are the types of fees sponsors can earn for their efforts. These fees are fully disclosed in the investor offering memorandum or operating agreement, and sometimes, are negotiated with investors. To get paid, syndicators can simply write a check for the fee due from the partnership bank account to themselves.

These fees are only examples of the types of fees sponsors include in their syndications. Fees are paid for services rendered. Do not add fees to your syndications unless they are warranted, justified and agreed to by your investor(s). Any fees taken by a syndicators should take a back seat to the performance of the investment.

1. **Acquisition Fee.** This upfront fee is paid by the new buying partnership entity for finding, analyzing, evaluating, financing, and closing the property investment. Acquisition fees range from .5% to 3% of the purchase price, depending on the size of the deal.
On really great deals with a lot of profit potential, I've seen syndicators get an acquisition fee of 6 and 7% of the purchase price.

2. **Real Estate Commission.** If you act as a broker in the transaction for the partnership (you must be licensed), you can get paid a fee from the seller of the property. Typical commissions range from 3-6% of the sales prices. Normally, the syndicator can only receive one fee – either an acquisition fee or a real estate commission.

3. **Organization or Underwriting Fee.** This upfront fee is paid by the partnership for putting together the group investment. The fees range from 3% to 10% of the total money raised. Again, it depends on the amount of money raised and you might need to be licensed.

4. **Construction Management Fee.** This on-going fee is paid from construction money for capital improvements done to the property. This fee ranges from 5% to 10% of the renovation funds held for construction of the property.

5. **Asset Management Fee.** This on-going annual fee is paid from the property operations, typically below the NOI under partnership expenses, for property oversight. Fees range from .25% to 1% of the asset value depending on asset size with the lower rate on bigger properties.

6. **Partnership Management Fee.** This on-going fee is paid like the asset management fee with similar fee ranges. Typically,
both fees are not paid. The fee is structured around the arrangement with its investors.

7. **Property Management Fee.** For managing the day-to-day operations of the property (collecting rent, pay bills, running the property, doing the accounting, etc.), this on-going fee is paid from the operations of the property on a monthly basis. Fees range from 3%-6% of the total monthly collected revenues of the property.

8. **Accounting and Tax Fees.** These event specific fees are paid for accounting and tax related services on behalf of the property and partnership. Fees range from $30-$100 per hour.

9. **Refinancing Fee.** There is a lot of effort that goes into getting a loan. To compensate the syndicator for these efforts, a fee is paid at closing on the loan of .5%-1% of the total loan amount.

10. **Resale Commission.** This fee is paid on the future sale of the property to a licensed real estate broker. The syndicator is the listing broker and cooperates with an outside, arms length, selling broker where they split the commission. If the syndicator is not licensed, the partnership can pay an advisory fee on the sale. The real estate commission is the prevailing industry rate.

In addition to the above fees, sponsors typically are reimbursed from the partnership for out-of-pocket expenses, and any other reasonable items agreed to in the partnership agreement.
Every group investment partnership will vary on the type of fees the syndicator can earn. This list of ten types of fees is only to show the different types of possible fees so that you can structure your deals more appropriately.

I can’t emphasize this enough: don’t take fees unless you are adding value to the process. Larger investors will typically allow only a few agreed upon fees. Don’t overload the partnership with excessive fees because it has to earn a reasonable rate of return, as outlined in the investor offering memorandum.

In addition to earning fees, group sponsors and syndicators earn backend performance profits. Let’s take a look at how partnerships can be structured.

**Structuring the Profits in Your Syndication**

Since all investors are making an economic decision when they invest in real estate, they will carefully analyze how much money they will invest and how they will get their original investment back with profits.

Profits are split between the investors and the sponsor based on a schedule of priority. The first money returned from the net sale proceeds of the property are the investors’ (and syndicator if they invested) invested capital; the money invested in the deal. Next, investors receive a preferred return on their investment funds, typically 7-10% per year. Once the investors have gotten their investment back plus a preferred return, the remaining profits are
split between the investors and syndicator based on the original agreement.

Cash Flow

The cash flow that the property generates will be available to distribute to the investors. There are many ways that the cash flow can be split among the partners. One way is to split this cash equally between investors and the sponsor; another is to allocate to investors 100% (or whatever percentage that fits your deal) of the cash flow until they receive their preferred return. Any cash available over that amount can then be split. A common arrangement at this point, splits the available cash flow by allocating in accordance with the backend profit split percentages (i.e.: 75% to investors and 25% to the syndicator).

Refinancing Proceeds

Upon the refinancing of the property, new funds could be generated either by increased cash flow or from tax-free dollars from the difference between the old and new mortgages. These funds could then be available to fund any renovation work, to fund the working capital account, or to distribute to the partners. If the decision is made to distribute this cash, the deal could be structured to give these proceeds back to the investors as a return of their initial capital, or they could be split between the investors and the sponsor.
Resale Proceeds

When the resale occurs, the deal is coming to a close. Typically, the deal is structured one of two ways. In the first, the investors receive the remaining dollars due from their original investment, plus any dollars due from their preferred cash flow agreement. The remaining cash would then be split between the investors and the syndicator. This split can be equal or 75 percent to 25 percent with increases to the sponsor based upon certain predetermined formulas.

The second method used could be to split the profits 90 percent to 10 percent with increases to the sponsor upon a specific formula based upon hitting certain benchmarks.

7 Big Reasons Why Investors are Attracted to Syndications

To better position your investment syndication opportunity to investors, you need to understand why investors are attracted to group investments. Take a look at the benefits investors enjoy with group investments.

1. Specialized and Experienced Group Managers. The group manager provides the expertise in locating great investment opportunities, negotiating good financing, over-seeing the property operations, and insureing the business plan is effectively executed. investors do not have the burden or hassle of the enterprise.
2. **Economies of Scale.** A group of investors have more purchasing power than an individual, thus creating a better opportunity to purchase a property at a discount.

3. **Market Price Niche Investing.** Opportunities to purchase great deals exist within a narrowly defined target group. The best price range to get a great deal exists at a price just above what a typical individual investor could afford, and a price just below what a large institutional investor would pay. In today’s market, that price range is between $1 million and $5 million.

4. **Security in Numbers.** The investment risk is spread among many small investors so that any unforeseen “bumps in the road” are less severe on the group than the impact would be on one person alone.

5. **Exclusive Group.** Each investor is a member of a relatively exclusive group. The group manager only selects those investors who have similar investment goals and philosophies as herein mentioned.

6. **Limited Liability.** The investor enjoys limited liability just like that benefiting corporate stockholders.

7. **Peace of Mind.** No management headaches or responsibilities on the part of the investor. The investor is completely passive with none of the burden or concerns of management.
These are the primary reasons and benefits desired by investors. There are undoubtedly other cogent reasons why investors like syndications, such as the property or management may be local, diversity of their investments, or the pride of ownership the investor feels in owning an investment property.

There is any number of reasons motivating investors to make investments into group investments – the list could go on. Here’s a reason why to invest that I bet motivates some investors - MAKE MONEY.

**The Basic Syndication Road Map**

Every syndication follows its own path but this basic 8-step process will get you around the track and on the correct path to creating successful syndications. Keep in mind that each of the eight steps on the road map offers its own area of specialty and requires some knowledge and expertise to carry out:

1. Find an investment opportunity
2. Analyze and evaluate the property
3. Tie up the property – Put it under contract
4. Package the opportunity
5. Raise funds from investors
6. Close the deal
7. Manage the partnership asset(s)
8. Sell the property and disburse profits

While this process might seem daunting, it is quite simple once you have been around the track and have seen the scenery. All
new syndicators should start on smaller deals so that they can see the entire track. Once you understand each function, especially the first five steps, from finding a deal to closing it, you can start doing bigger deals.

There really is no limit to the size of a deal you can syndicate. If you want to keep your syndications small, that’s OK. If you want to graduate to bigger deals, that’s OK too. If you look around at some of the biggest properties in your city, you might find it interesting to learn that most of those deals were syndicated using this same basic road map.

20-Step Syndication Process From Beginning to End

To get a big picture of what the syndication process looks like from beginning to end, I want to share with you this 20-step process. It will give you an overview of the syndication process and how it evolves over its full life span.

1. Research and find an available rental property in a particular submarket and choose a property to purchase.

2. Underwrite and prepare preliminary analysis of the property investment. This would include the properties financial history, the physical conditions of the property, the local submarket, rent comps and sale comps. From your knowledge and expertise to carry out the investment analysis, determine the property valuation and your offer price.
3. Create a letter of intent (LOI) or purchase contract. Make an offer and negotiate the deal to tie up the property and get control of it. You must have the property under contract before beginning your fund raising efforts.

4. Open escrow with your contract. Order third party reports and title report.

5. Conduct a detailed and thorough due diligence. Complete an analysis of the seller’s actual income and expenses, investigate the physical condition of the property, review leases, investigate the property operations, and study the title report. In this step, you are investigating the property to ensure there are no future surprises and it supports your business plan objectives.

6. Engage a loan broker to find and secure competitive debt financing. If financing is assumable, then contact the lending group to begin the loan assumption process.

7. Form the new group investment entity. Begin the legal process of setting up the group investment. I highly recommend the assistance with your attorney and accountant.

8. Prepare the (Private Placement Memorandum - PPM), Investment Circular, Subscription Agreement, and Operating Agreement for the group investment LLC.

9. Market the PPM to potential investors to fund your purchase.
10. Pool together the investors. Once you have approved the investor’s suitability, you need to get their signatures on the Subscription Agreement and the Operating Agreement of the LLC. You’ll also want to deliver their funds to escrow for the close.

11. When the required investment group funds have been raised, the Syndicator begins to close the deal.

12. The Syndicator now files the Articles of Organization with the state in which the LLC is formed.

13. The Syndicator now assigns his right to purchase the property to the LLC in an amendment to escrow prior to the close. The property now vests in the name of the LLC and the Syndicator gets his ownership percentage in the LLC.

14. The purchaser closing funds (down payment, fees and closing costs) for the transaction are paid to the seller from the LLC member’s contributions.

15. The property closes escrow and the group investment LLC takes possession of the property.

16. The syndicator now sends copies of the closing documents to all of the members of the LLC, along with any other organizational documents that may not already be in their possession.
17. The syndicator now steps into the role of the partnership manager. The syndicator oversees the property on behalf of the group investment LLC, executing the business plan.

18. Distribution of cash flow is delivered to all the investors on regular periodic periods. Also, regular partnership reporting and communications are sent to investors.

19. Meetings are held to inform and update investors on the status and progress of the investment property. At times, the investors may make major decisions, such as add or replace investors, refinance, or sell the property.

20. When it’s finally time to sell the property, the syndicator manages that process including:

- Hiring a real estate broker or representing the LLC himself to sell the property
- Negotiating purchase offers and coordinating closing proceedings
- Providing disclosures and reports during the closing
- Making final profit distributions to investors
- Winding down and terminating the investment group partnership LLC

**Getting Your First Syndication Done**

While the syndication process may seem like a long process, it really isn't once you've been through the process for the first
time. It's like anything you do in life, it's ALWAYS more complicated and takes longer the first time.

So, knowing that in advance, I want you to start small. Your goal is to go through the syndication process and learn. Yeah, learn the ropes so that your mistakes are less costly and easier to overcome.

In addition, getting your first syndication deal done following my **8-step process** will greatly increase your success and help reduce costly mistakes. I've been through the 8-steps in this book for over 25 years doing my own deals and helping my students do their deals, so I know this process works.

So, let's drill down into my 8-step system so that you can start working on getting your first syndication deal done.
CHAPTER 4
8-Steps to Syndicating Your First Deal

Let’s take a journey together. I am going to take you through my entire 8-step process, from beginning to end, on how to syndicate your first deal.

We are going to see the reality of this game. It’s not a get rich quick game. Rance King of RK Properties, who has built his real estate syndication business to over $300 million during the last thirty plus years, calls the real estate syndication game, “A get rich slowly game.”

If you look at this game as a long term process where you are always taking steps forward, slow consistent steps forward by keeping it simple, you will attain significant wealth for your retirement. Unlike the stock market, you are in control of the game, every step of the way.

To get started, let's take a look of a very simple syndication deal.

Sample First Deal

Let’s say, you find a small apartment property you can buy for $230,000, which previously sold for $500,000 a few years back. There is existing financing of $200,000, which can be worked out with the lender so that you can take over the loan. The only money you need to come up with is $30,000 for the down payment and an additional $30,000 for renovations, reserves,
your fees, and closing costs, making the total capital to raise $60,000.

You do some research and find that through some minor property improvements and adding new management, the property will be worth $425,000 within 12 months after executing your value creation strategy. During your research, you find similar property sales of $300,000, if you sold the property without doing anything to the property, creating a nice cushion.

You create an investor package, which includes an overview on the property, a detailed business plan on your value creation strategy, supporting sales comps, and financial projections. You take this package to family and friends and show them the opportunity. Because you practice the principles of value real estate investing, your potential investors notice, in the investor package, that you have built in a margin of safety by buying the property for $230,000 when it’s really worth $300,000.

They also notice the thorough research you have done and that the investment looks to have a very attractive return. Because you have brought potential investors a great deal, they are motivated to invest in your deal. The biggest problem you will have is potential investors fighting over being left out on this deal because you are going to more than double their investment within a year.

Ok, so I've given you a very simple and basic syndication deal, one that you could easily do own your own.

Now, let's get into the 8-steps to syndicating your first deal. The 8-steps that follow will be an overview. In the following chapters, I will drill down with more detail on critical areas of the 8-steps.
Remember, you are a packager, a syndicator of deals and dollars. So, I've dedicated an entire chapter to each of these specialties.

**STEP 1 - Pick Your Specialty**

Don't chase rabbits.

A big mistake many real estate investors make is chasing multiple types of properties in markets scattered everywhere. They are chasing rabbits.

The very first thing you need to do is create a plan that is focused around your specialty. Why? Because successful real estate syndicators specialize within a certain product type and location of investment.

You will need to decide your area of specialization. Pick a property type you have some experience with and that you are passionate about.

Are you going to be a specialist who buys apartment buildings, shopping centers, office buildings, industrial, self storage? What size property are you going to focus on? In the beginning, I recommend you start small. The deals will get bigger and bigger on future acquisitions. It’s more important that you give yourself every advantage to getting your first deal done.

Next, what market are you going to specialize in?
Pick a market that offers strong fundamentals where rents are likely to have the highest growth. Great deals can be found just about everywhere so stay close to home base.

My recommendation is to stay within 100 miles of your home or office. Since you're already in the real estate business, you most likely already have a specialty. Yes?

**Stay Focused and Don’t Chase Rabbits.**

Here's a story of my friend and Value Hound Gary Sabin, Founder of Excel Trust, a 30+ year retail veteran, who began his career as a commercial real estate broker in 1978.

When he began his specialty was retail properties in the San Diego area. While he was brokering deals, retail deals - he started to invest in his own deals. Gary had two deal flows.

Every day he would work his lead generation system to find property owners and sellers of retail properties to get listings to broker or invest. On the great deals Gary found, he raised the money from investors to buy the property, get paid an acquisition fee, fix it up, and sell it for significant backend profits.

For the first couple of years, he was brokering deals for commissions and buying deals with investors to earn big backend profits to build his wealth.

He was making good commissions to live on and building his wealth on his own deals. Gary has been very successful building his wealth over the years. He has done over $3 billion of retail deals.
Because Gary has had so much success, he's been able to do what he loves the most. In 1994, he started and runs The Sabin Children's Foundation that provides underprivileged children around the world medical attention.

He once told me, "If I die with any more than a t-shirt and a pair of jeans, I will have failed because it ought to be going to someone else." Wow! Isn't that awesome... Ok, let's move on.

**STEP 2 - Create Your Investment Strategy**

Make sure you have an investment strategy before searching for properties to buy. Your investment strategy should have a value component where you can create or add value with your investment property. Your strategy will help to make sure you find a great deal, and it will help you better communicate with investors, and build your database of investors.

Find your investment strategy BEFORE you search for deals. This is one of the biggest problems I find among real estate professionals trying to syndicate their first deal. You need a strategy before you start looking for deals.

I hear - Craig, I can't find any good deals. Craig, I'm having a hard time exciting investors. Why?
You need a strategy. You need a strategy before you start looking for deals.

If you're going on a hunting trip, don't you need to know what you’re hunting for BEFORE you go on the trip. Hmmmm?

Sure you do.

On your hunting trip - You're going to know where you're going, you're going to know the right equipment to bring on the trip,
you're going to what you're what to look for. You'll know what you're hunting for.....it's the same with your syndication business.

I want you to know - how you're going to make money before you get in the game. What's your strategy to make money in real estate? What's your game plan?

Here’s a sample of my investment strategy: "I buy middle market, underperforming apartments in emerging markets that can be repositioned toward the rapidly growing Hispanic market using a community lifestyle management approach."

That may sound like a lot, but it is very well explained and supported in my pitch book. This investment strategy has helped me attract the right kind of deals that offer greater profit potential.

Also, when I’m out speaking with investors, it helps me create a story that has become very sticky among both high net worth and institutional investors. Why? Because investors understand what I’m doing, giving me more success when raising money from investors.

**Find Your Investment Strategy Before You Search for Deals**

Here’s a story of my friend and Value Hound Bill Bennett. Bill specializes in buying ‘C’ multifamily properties in ‘A’ locations within strategically identified submarkets, and then repositions them to a niche tenant base such as students, echo boomers, seniors and the Hispanic market.
This strategy has allowed Bill to consistently generate high returns for his investors where average rents are 25% higher than his competition.

Bill started like many other new investors. He started buying small properties and raising equity from high net worth individuals.

As his investor based started to grow, he began buying larger properties that range in size from $5 million to $15 million. Bill started his company in 2007 and in 5 years has built his portfolio to $130 million.

Bill has Multiplied Thy Gold!

**STEP 3 - Build Your Investor Pool**

The biggest concern of new syndicators is, “How do you find investors?” Right....ever thought about that?

What most new syndicators do is, wait until the property is under contract before building their potential list of investors. These new syndicators are setting themselves up for failure. A short fuse to raise money…talk about stress.

I don't want you to fall into this trap. I want you to start building your investor database BEFORE you find a property. BEFORE!

Get your investors excited about your investment strategy - how you're going to make money for them - BEFORE you find a deal.

I can't pound the table loud enough on this very critical issue. Start building your potential investor database before you find a property.
Here's the first 4-steps in my 8-Step Dollar Hound Process to Raising Money to building your investor pool before you find a deal. This process takes out a lot of the risk and stress of raising money for your syndication.

**First, Develop Your Pitch Book:** Create a unique business plan and investment strategy to capitalize on today's great buying opportunity. What's your strategy to make money investing in real estate? Package your plan up in a short 10 – 15 page pitch book.

**Second, Create Your Potential Investor List:** Make a list of potential people that may have an interest in investing in real estate. The best place to start is friends and family. Here are some places to find investors for your list:

- Business associates
- Accountants and Financial Planners
- Attorneys and Doctors
- Property owners

This list will be your starting point. Make sure you ask people on your list if they know anyone else that might have an interest in investing in real estate. You'll be amazed at how many people will refer others.

**Third, Conduct Investor Meetings:** Make breakfast or lunch meetings with people on your list. Review your pitch book during your meeting and determine if there is interest. You’re not selling anything. The most important element coming out of these meetings are new relationships.

**Fourth, Build Your Investor Database:** Potential investors who have an interest in your plan are added to your database. Your goal is to build lots of potential new investors in your database. Stay in contact with potential investors in your
database by sending them articles, stories, stats, and so forth relative to real estate investing and your business plan.

**Build Your Investor Pool Before Searching for a Property to Buy**

Value Hound Carlos Vaz built his real estate investment business syndicating value add, multifamily properties to almost $100 million in three years - mainly because of his system to pooling investor money.

Carlos got started in the Northeast area of the United States working for a lender where he put together commercial loans for investors. While at his job, he started to buy single family houses.

The housing market was starting to go bust, so in 2008, he decided to relocate to the City of Dallas where he started his multifamily syndication business with little cash, few contacts, and little multifamily experience.

He learned early that the biggest asset to any deal was him and the great deals he finds. He’s a master at working the fund raising system that we just talked about.

He creates a pitch book. He meets new potential investors for lunch to talk about real estate investing using his investment strategy outlined in his pitch book. Oh, and he meets people almost every day at his second office, Maximo’s Restaurant in Dallas.

Because Carlos is finding great deals and packaging them with investors, he has been able to substantially grow his wealth following the exact same steps we are talking about in this letter.
STEP 4 - Find an Investment Property

Find an Investment Property that fits your investment strategy....the one you created back in step 2. You know, the investment strategy that you're an expert at executing…the strategy on how you're going to make money.

This is the most important step in the entire process. You MUST find a great deal. I can’t emphasize this enough.

But first, I want you to notice something very important right now. Notice there have been three (3) previous steps before we've gotten to Step 4 - Find an Investment Property.

Let's review all the steps we've covered to this point.

Step 1 - Pick a Specialty
Step 2 - Create Your Investment Strategy
Step 3 - Build Your Pool of Investors
Step 4 - Find an Investment Property

Find an investment property is all the way down to Step 4. We haven't begun to look for a property until we have finished Steps 1 thru 3. Have we? Nope!

I bring this to your attention because of the HUGE mistake new syndicators make when trying to syndicate their first deal. The very first thing most new syndicators do is run around chasing rabbits all over the place trying to find a deal. They have no clue what they're looking for, and they don't have a ready and excited investor pool waiting on the sidelines.

They finally find a mediocre property where they're unsure how they're going to create value. They tie up the property, and then try and raise money within a short time period to investors that aren't that excited about the deal.
I don't know about you, but this is a disaster waiting to happen. All because the new syndicator didn't have a plan and potential investors before finding the RIGHT property.

**Concept of Ready, Aim, and Fire**

I'm a strong believer in the concept of ready, aim and fire. In the first 3 Steps, we are getting ready and aiming at our target.

We've done these important things...

- We have found a specialty that we're an expert in.
- We have created an investment strategy on what we're looking for.
- We have created a plan on how we are going to execute, once we find the right property.
- We have built a pool of potential investors who are excited people, ready to invest once we find the right deal.

Now, we are ready to fire. It's time. We are firing on a specific target, one that we know about, and a target we can hit. We've taken out all the guess work and created a more predictable outcome....hitting our target.

Now in Step 4, is time to find a great deal that we can fire on. We know our target.

**Why is it so important to find a great deal?**

Well, here are **4 BIG Reasons Why You Need To Find A Great Deal:**

1. If you are just beginning as a new syndicator with a limited investor base, you need a great deal to overshadow your inexperience.
2. You need a great deal because it will make your fundraising much easier because of the profit potential.

3. You need a great deal to get you excited so when you’re speaking with investors, your enthusiasm shines.

4. You need a great deal because it will help you carve out more fees, cash flow and profits. YOU NEED TO FIND A GREAT DEAL!

A great deal makes everything easier...though the entire process. Be patient and find a great deal. When you get the word out about what you're looking for, I want you to spend a lot of time reviewing the deals that come your way. Make sure before you fire that it's a great deal.

So, what is a great deal?

- A great deal is a property that can be bought at least 20% below intrinsic value.

- A great deal should offer an internal rate of return of at least 15%.

- A great deal should provide cash flow at least by year two.

What's the best gage to determine if you have a great deal? Well, it's that you can IMMEDIATELY turn around and sell the property for a profit. So, make sure you have a profit the day you close escrow.

STEP 5 - Analyze and Evaluate the Property

There are many factors involved in analyzing a potential deal. These factors are critical, because in order to make a future
profit, you must “buy the property right.” Your goal is to understand the property and market in which you are investing.

Find answers to these and other questions.

- Is the market growing or contracting?
- What's the crime rate in the area?
- How does the subject property compare with its competing properties on rents, amenities, class, sales values and so forth?
- Can you find ways to create and add value to the subject property?
- Is the subject property undervalued?
- Is this a property you want to own?

So, in this step, you are going to analyze the property. We are going to uncover value and determine the profit potential of the property.

**Quick Deal Analysis**

So that you don't waste your time, I recommend you conduct a quick deal analysis. This analysis will help you look at a potential investment property and determine if it's worthy of your time. If it's worthy of your time, you then run the property through your full financial and investment analysis software. If the deal doesn't pencil, then you can quickly pass on the deal so that you don't waste your time.

There are many investment analysis resources available for you to use that will allow quick analysis of a deal. One that I can recommend is created by Bruce Kirsch, Founder of REFM. You can find an interview I did with Bruce as well as a copy of his Back of the Envelope Spreadsheet he has available for free download at my website at:
When you conduct your quick deal analysis, you'll need some basic information about the property, market financial ratios, and a good understanding of your investment strategy. With this information, you'll be able to conduct a quick deal analysis.

**Investment Analysis**

There are many investment software programs on the market that will help you analyze and evaluate the financial viability of an investment property.

I recommend you Google - Real Estate Investment Analysis Software - to find a list of suitable programs on the market. You can find good ones for around $400 to $500. If you want to best, you'll find software programs that cost $5,000.

If you’re new to syndication, I recommend starting with the lower cost software programs. You can always upgrade to higher end programs later. But to be honest, one of the programs I use only cost $500.

Ok, we analyzed the property, crunched the numbers and REALLY like the deal.

We ask ourselves, is this a property we'd like to own? Are we excited about the opportunity to make money? Will our investors be excited about the opportunity?

And if the answer is YES, it's a property we are excited about and one we'd like to own with our investors, then we move onto to Step 6.
STEP 6 - Tie Up The Property With a Purchase Contract

You’re excited about the property you found and its profit potential…it's time to tie up the property with a purchase contract.

You’ve come a long way. A good deal has been found, and it has been analyzed. The property return to the investors looks great, and there is a lot of money in it for you.

The decision is to go forward, and fast. But you do not want to do a lot of work and then have the deal dissolve before you can make any money. So what do you do? You tie up the property by putting it under contract.

When you are trying to lock up a property, you obviously want to end up with the best deal possible. So you negotiate with the seller to get the best deal possible. This may take some back and forth, but you want to be sure the seller is selling at a rock bottom price and/or on fabulous terms.

Once you have negotiated the best possible deal, you must solidify it in writing to protect yourself from doing a lot of work for nothing. The instrument you will use is a Letter of Intent (commonly referred to as “LOI”) or a real estate purchase and sale agreement. An attorney should help draw up such document (or at least bless a standard industry contract).

Your contract should build in plenty of safeguards (contingencies) so that you feel comfortable. The attorney’s fees may be paid out of the funds you raise so that you don’t have to use your own funds.

Make sure you build into your contract adequate time to perform tasks. Your contract should be structured to enable you to receive your earnest money deposit back should you decide not
to go forward with the deal. You need time to conduct thorough due diligence, package the investment opportunity, raise funds, get financing, and close the deal. All these functions take time, so make sure you get enough.

Try to negotiate an extension of closing in your contract. Typically, you can exercise an option to extend the closing by paying an additional earnest money deposit. The time period you negotiate is very important for two reasons.

- One, it gives you an inexpensive extension to look at the property in more detail. A few thousand dollars for some additional time could save you many times the extension amount.
- Two, it allows you to package the investment properly and to raise the required funds. Because of these factors, you should always try to negotiate the longest escrow period possible.

When purchasing an income property, try for a minimum of 90 days, and take a 120 days or longer if you can get it. As a rule of thumb, I would never give myself less than 60 days for any property that I planned to syndicate.

That is, from the time I tied up the property, I would want a minimum of 60 days before I had to come up with any additional funds. Get at least a 60-day closing with one or two extensions, conceivably creating 90-120 day closing period of time.

30 Due Diligence and Inspection Items Prior to Purchase

When you put a property under contract that you are buying, you must inspect the property, market and financing. Completing the due diligence process takes a lot of time and effort. Due diligence can be outsourced to companies that specialize in this
type of work. Many times a property management company will do it for free if you give them the management of the property.

Here is a list of thirty due diligence areas to review. Every property will require additional due diligence review items but this list covers most areas.

1. **Property Measurement:** A survey should be conducted to determine the exact boundaries of the land area, as well as, the measurements of the gross and net rentable building(s). Make sure the square footage matches what the seller quoted you.

2. **Unit and Space Mix:** Verify the unit mix by walking all the units. Compare the unit mix to other comparable properties and how the subject property fits into the market demand.

3. **Unit and Space Size:** Verify the size of each space unit floor plan by measuring the square footage. Also, compare the space unit size to other comparable properties. Are the divided units bigger or smaller than the comps?

4. **Property Reputation:** Determine the current reputation of the property by speaking with local market participants.

5. **Curb Appeal:** First impressions are what sell. Review the condition of the property and how it fits into the overall market and other comps.

6. **Political Climate:** Familiarize yourself with local government attitudes and process.

7. **Community Services:** Determine if the property is located close to schooling, public transportation, and shopping. Community services are important to some tenants.
8. **Crimes Assessment**: Get a police report on the local market where the subject property is located. Also, speak with local crime officers whose beat covers the subject property. You’ll be amazed at what you learn.

9. **Market Survey**: Conduct a detailed market survey to assess the competition. Learn what other properties are doing and how it may affect your operation.

10. **Tenant Profile**: Learn the types of people or businesses who are leasing at the subject property. Get demographic information, employment data, and credit worthiness data for property file.

11. **Sales Comps**: Research recent sale comps in your market. Real estate brokers have this information and will provide it if you ask.

12. **New Competition**: Analyze the local market and find out if new competitive rental properties are being built.

13. **Available Land for Development**: Properties located close to vacant land take on added risk of future development that brings new competition. Find out the zoning to determine if the vacant land is a threat.

14. **Construction Report**: Engage a professional building contractor or engineer to fully inspect the physical assets of the property. This will cost some money upfront but it will save you many times the cost of the report.

15. **Termite Report**: Engage a licensed pest control company to inspect the property for termites and dry rot, especially heavy wood construction properties.
16. **Interior Condition:** Walk each and every space unit and inspect the condition of the unit interiors. Assess the value of repairs needed in each unit.

17. **Interior and Exterior Design:** Design is critical to the success of a property. Contact tenants and leasing personnel to determine acceptability.

18. **Features and Amenities:** Check out the property and unit features and amenity package. How do they compare to the comps and are they needed in the marketplace? Can you add more services and amenities to create more value?

19. **Personal Property:** Review the list of personal property transferring with the property. Check to see if there are any personal property taxes you need to account for in your pro forma.

20. **On-Site Availability:** Find out the zoning requirement, typically X number of parking spaces per X number of square footage or units. Too little parking will affect the property operation.

21. **Utilities:** Access to all necessary utilities is critical for the success of a property. You should confirm the vendor of each utility and who is responsible for paying each utility vendor.

22. **Permits and Licenses:** Get copies of all permits and licenses. Make sure they are current. Also, search planning and fire department records to see if there are any code violations.

23. **Real Estate Taxes:** Make sure you get the most recent tax bills (two years) and forecast in your operating pro forma and potential increases or decreases.
24. **Property Insurance:** Verify that insurance is available for the property. Get insurance loss run reports over the last five years, if possible, to see any insurance claims. Contact your insurance agent and get a quote for property insurance. Use this quote in your operating pro forma.

25. **Management Company:** Get information on the current management company and on-site staff. A list of on-site employees and their compensation will help you refine your pro forma.

26. **Title Insurance:** Order and review the title insurance commitment and schedules. Review these documents with your attorney.

27. **Operating Statements:** Get at least the last 24 months of operating history on the property. Look to see unusual expenses that may only apply to the current seller, higher than industry average expense and one-time expenses, capital expenses or anything that won’t belong in your operating pro forma. Next, look at the income side of the operating statements to verify information supplied by the seller.

28. **Rent Roll:** Get a copy of the property rent roll with security deposits. Also get any other deposits the seller is liable for to the tenants.

29. **File and Lease Audit:** Inspect every lease thoroughly to verify rents and occupancy. Create a master lease abstract spreadsheet with each space number and add lease information such as lease expirations, rent rates, CAM, other charges and fees, unusual lease language, and so forth. Get a copy of their standard lease agreement and supporting exhibits and have them reviewed by a professional. Also, check the files for notices and work orders that may be an issue when you take over. For
commercial properties, make sure you get a signed lease estoppels for each tenant.

30. Existing Mortgages: Get copies of all existing mortgages and give them to your attorney for review. Make sure there are no surprises in the mortgage documents that negatively affect the financing you have agreed to with the seller.

Your property is tied up and you are conducting due diligence to investigate the property to ensure there are no future surprises and that it supports your business plan objectives.

It appears that you are going to move forward and remove contingencies in the purchase and sale agreement. It's time to move onto Step 7.

STEP 7 - Fund The Deal

You have investigated the property and everything is a green light. It’s time to arrange your debt and equity financing to get the deal closed.

You'll need to start the process of getting debt financing and raising the equity from your pool of investors. You will be going down two different paths to secure the necessary financing to close your deal. Let's discuss the two financing paths.

Getting Debt Financing

Ideally, getting financing from the existing lender is the quickest and cheapest approach. If you are able to assume a loan, obtain seller financing, or get restructured financing via a short sale, then the financing process is much easier and cheaper. I recommend using all efforts to go this route.
In the event you must get a new loan, you must start the process as soon as the property is put under contract to purchase. Engage a loan or mortgage broker to help you through the process. The broker will search the market to find you the very best loan. Having a broker will help you get the best loan and help you through the loan process.

The loan broker fee gets paid comes out of the funds you’re going to raise, so find an expert loan broker to guide you through the process.

**Items Lenders Will Require**

Lenders look at property loans as an investment, albeit on the debt side. They approach the process similar to how you or an investor would look at the deal. Here are some items they will request:

- Business plan on the property
- Financial statements on the property
- Loan requirements
- Borrower resume and credentials
- Third party physical inspection reports
- Appraisal
- Source of equity funds
- Management company information
- Management and marketing plan
- Market survey
- Purchase and sale agreement

The process of getting a loan takes 30 to 60 days but typically gets done within 45 days. Make sure your purchase contract contains a financing contingency so that if you don’t get the loan, your earnest money deposit gets returned.
The cost of the loan ranges from .5% to 1%, depending on circumstances and loan type. The loan process can be overwhelming for some investors, so I highly recommend getting a mortgage broker to help you through the process.

**How Lenders Determine How Much Money to Lend on a Deal**

While lenders will scrutinize the borrower and the market, they look at two important ratios to determine how much they will lend on an investment property.

Since a lender is loaning money based on the future income of the property, they want to make sure the income from the property will be able to support certain debt service payments. A lender will create a cash flow before debt service (aka Net Operating Income - NOI) forecast based on past and future income and expenses. Once a lender determines what they feel the NOI will be, they can determine how much money they will lend on the property.

A lender uses many metrics to determine loan amounts, but the two most important formulas they use are the debt service cover ratio (DSCR) and the loan to value ratio (LTV). Let’s take a quick look at them both:

**Debt Service Coverage Ratio**

The debt service coverage ratio is a formula that shows the lender how much coverage they have after all expenses and debt service are paid. The formula is as follows: Net Operating Income divided by Annual Debt Service = Debt Service Coverage Ratio.

For example, if a property has annual Net Operating Income of $100,000, and annual debt service of $80,000, then the debt
service cover ratio is 1.25 ($100,000 / $80,000 = 1.25). This means that there is 25% coverage above the total expenses of the property.

**Loan to Value Ratio**

This is the quickest and most common way to gauge the loan amount. This formula involves lending the maximum amount of money on the appraised value using a percentage of valuation. Many lenders use different percentages based on many criteria such as property location, borrower creditworthiness and stability, future potential, capital market conditions, etc.

If a lender is quoting they will lend 70% LTV, then they will lend a maximum of 70% of the appraised value. A property that has an appraised value of $1,000,000 will offer maximum loan proceeds of $700,000, which is 70% loan to value (LTV).

In the end, lenders establish how much to lend on a deal based on the predictability of future income the property will generate to cover debt service with a comfort factor. You can reasonably gauge the size of a loan by conservatively forecasting the NOI and applying a debt service coverage ratio quote by various lenders.

**Raising Equity from Investors**

On the equity side, it's time to package the investment opportunity and raise money from your pool of investors. Since you already have a database of investors interested in your investment strategy, you will have a head start raising the equity.

I strongly encourage you to engage the services of legal help and structure your investment partnership correctly. Many new real estate entrepreneurs get caught up in the legal aspects of
structuring an investment partnership and lose sight of finding great deals that your investors want to invest their money.

Stay focused on the business aspects and have your attorney get your entity documents organized. An attorney is just another member of your team like a property managers, loan broker, real estate agent, accountant, and so forth. You need these pros around you.

Don't worry about the cost of legal services. Legal costs are paid from the partnership you’re organizing and from the total money you raise, so get your partnership set up the right way...out of the gate.

If you’ve found a great deal, raising money should not be too tough. Raising money is a process that is important to your success. So I have dedicated an entire chapter later in this book, *Finding Dollars: 8-Step Process to Successfully Raising Money from Investors*.

Now that we got the financing all lined up, it's time to close our deal.

**STEP 8 - Close the Deal and Get Paid**

In the last step - the most fun step - you close the deal so that you can get paid.

The escrow company works with the lender to complete the debt financing and you work with your investors to fund the equity portion of the purchase price.

This is an exciting time because you have worked hard to put this deal together and now it’s time to get paid.
A few days prior to closing, the title company and the closing attorneys start putting together the closing statement. The closing statement is a worksheet that shows all the charges and credits for the buyer and seller. The statement will include prorations for rents, security deposits, mortgage interest, and property taxes. All property operating expenses are handled outside escrow because many times the buyer may want to keep services, including utilities. In some instances, the title company will handle property operating expenses, but normally this is handled outside of the closing.

A couple of days prior to closing, the buyer will sign the loan documents and closing documents. The seller will sign closing documents, including delivering a signed deed transferring the property. When everything is in to the title company, they will compute how much the buyer needs to close the transaction.

The day of closing, the buyer will wire transfer the equity funds and the lender will wire transfer the debt funds. The property transfer is recorded at the county recorder and then the closing is official. The title company will send checks to all parties owed money, including the seller sale proceeds. The buyer gets the ownership deed and the seller gets the cash.

Syndicating Your First Deal

Yes, you can syndicate your first deal. Keep it simple. Make it easy on yourself.

On your first deal, find a great deal that already has profit potential built into it. Also, start small by buying a property that doesn’t require too much money to raise. Make sure you keep your first deal small and manageable. Getting a ‘W’ (win) is more important than hitting a home run. The deal size can get bigger as you buy more deals.
You may ask, “How's that, Craig?” Well, your existing investors will want to see your next deal, and they will refer other investors, creating a scenario where you will have more funds to buy a bigger deal. Get the first one done and watch your funding raising efforts take off.

Now, let's take a look at a case study in the next chapter to give you more perspective on syndication wealth.
CHAPTER 5
Case Study: Carlos Vaz

Carlos Vaz is Founder of The Conti Organization, a real estate syndication company that specializes in buying underperforming apartment buildings in Dallas and Houston, Texas. Carlos started the Conti Organization in early 2008 at the young age of 30 and has built his real estate company to over 2,700 units.

In short order, Carlos has purchased over 20 apartment properties, holding thirteen and flipping the other seven properties.

Carlos is an immigrant from Brazil who built his company with little resources, and how he quickly made contacts with investors to fund his real estate business.

Carlos started his syndication business just like many real estate professionals. He got started in the Northeast area of the United States working for a lender as an agent where he put together commercial loans for investors.
Let's take a look at this case study. This is one of his first deals back in 2008.

Carlos found an underperforming, 208-unit multifamily property in a good location that was lender owned. The property had some differed maintenance and was 64% occupied. Carlos was able to buy the property for $3.1 million.

There was a huge opportunity for Carlos with this deal. He was able to purchase the property 44% below market value. After he spent about $700,000 in renovations and increased the occupancy, he was able to add $2.4 million in value and generate a 77% ROI in year 1. Not bad for one deal. Carlos found a great deal, and his investor saw the opportunity making it easier to raise the money.

Let’s take a look at the types of sponsor fees and back end profits Carlos can make.

- Carlos told me he charges a flat acquisition fee of between $100,000 and $150,000. Let’s say he got $100,000 fee on this deal.

- Carlos gets a 1% asset management fee to oversee the investment. Oh, this fee is 1% of the asset value each and every year he owns it. So, the first year he got a $31,000 fee.
• Carlos spent about $700,000 in renovations on this property. Since he oversees the construction on this project, he gets paid a fee. His construction company charges between 5 and 10% of the total construction cost. In this case, let’s say he got paid a 5% construction fee, so he got a $35,000 fee.

So, as you can see, he made at least total of $166,000 of fees the first year. Not bad for one deal.

But the real money maker is the backend profit. In this scenario, I know Carlos gets closer to 40 and 50% of the backend profits, but let’s say in this scenario he got 20% of the backend profits. Carlos got $480,000 in backend profits on this deal.

Carlos Became a Wealthy Syndicator.

He can make close to 3/4 of a million dollars on this one deal. How many of these types of deals do you need to do every year? Couldn’t you just live on the fees and use the backend to build your wealth?

Now, for most of you, this deal might be too big on your first deal. And, you might not find such a homerun.

But, couldn't you find one great deal - a small deal - a good deal - to partner with investors to start building your wealth within the next 12 months?

One deal? Come’on...This is your profession.

You're already in the game.
CHAPTER 6
Finding the Deal: How to Uncover and Analyze Deals

As we talked about earlier, you need to have a plan before you search for properties. You need to know what you're looking for and how you're going to execute once you buy the property. Once you have a plan, you then can begin sourcing the right deals that matched your plan.

In fact, it's easier to find great properties with a plan because you are better able to communicate your plan to real estate agents who have access to off market deals. To get the attention of real estate agents, who have access to deals, you need to be able to explain your plan to them.

Your creditably goes way up when you have a plan with everyone you're talking to like real estate agents, lenders, property managers and investors. Syndicators with a plan come across like they know what they're doing, where they're going, how they're going to get there, and generally, look more successful.

So, you need a plan.

Creating Your Syndication Business Plan

The very first thing you need to decide on is your goals. What do you want to achieve from your real estate investments? How
long do you want to play the game? Where do you want to play the game?

Before you undertake this process, you need to put together a road map of the trip you want to take. Where does the trip start and end? What things do you want to see along the trip? Too many syndicators jump into the game without knowing what it is they are doing, and why.

Take Steven Covey’s advice, “Start with the end in mind.” Decide on the end game and work backwards. It’s amazing how often I use this advice. For example, when I decided to write this book, I started with the end in mind. I sat down in my chair with a blank yellow pad and asked myself, “What do I want readers to take away from this book?” After thinking and twisting things around for awhile, I wrote down two things I wanted readers to take away from this book.

- First, I wanted to expose the process and business of syndication.
- Second, I wanted to show how real estate professionals, who are already in the business, can build their wealth syndicating their own deals.

In the end, I wanted real estate professionals reading this book to understand the syndication game and to have an 8-step process to play the game.

After having the end in mind, next I created an outline of the steps that I need to take to reach my end point. The steps I created were the chapters. This book has a starting point, beginning with the first chapter, and it has an ending point with the last chapter.

You can do the same thing with your syndication business plan by sitting down and deciding on where you want to end up and
then plotting your trip from a beginning point, following a path to that end point.

11 Reasons to Prepare a Syndication Business Plan

There are many reasons as to why a business plan should be prepared. Regardless of the specific reason, the underlying goal of preparing a business plan is to ensure the success of the business.

A Business Plan...

1. Provides you with the road map that you need in order to run your syndication business and plan your investments. It allows you to make detours, change directions, and alter the pace that you set in starting or running the business.
2. Assists in financing. Investor and lenders want to see that you know where you are, where you are going, and how you are going to get there.
3. Tells you how much money you need, what the money is for, when you will need it, and how you are going to get it.
4. Helps you to clearly think through the competitive advantage of your rental business that you are buying, and allows you to consider every aspect of that business.
5. Raises the questions that you need to have answered in order to succeed in your business.
6. Establishes a system of checks and balances for your business so that you avoid mistakes.
7. Sets up benchmarks to keep your business under control.
8. Helps you develop a competitive spirit to make you keenly prepared and ready to operate.
9. Makes you think through the entire business process so that you do not begin a new acquisition blindly, or lack vital information in buying and operating your property.
10. Forces you to analyze the market and business climate.
11. Gives you a "go" or "no go" answer about buying a property.

Creating Your Acquisition Criteria

Through the development of your specialization, you will be able to create your acquisition criteria. Your acquisition criteria must be clear and concise. It spells out exactly the type of property investment you are looking for. Visit websites of leading syndicators and you will see a page with their acquisition criteria describing the types of investment properties they are actively seeking. Here’s a short list of items to include in your acquisition criteria sheet:

- Property type
- Property size range (dollar, square footage, or # of units)
- Property characteristics (condition, features, class.)
- Desired markets
- Financing (Assumable, new, etc.)
- Special situations (low rents, deferred maintenance, high vacancy)

Why do you need to create an acquisition criteria sheet? The acquisition sheet will be your calling card. Send this sheet to real estate brokers or anyone else that needs to understand the type of investment deals you’re doing. Ideally, you will send this sheet out to a multitude of people trying to find deals.

Building Your Team of Experts

Surround yourself with great people. To find the best deals, finance and close deals, you need a team of experts that you can lean on to help in your business. When it comes to adding people on your team, be unemotional and get the best players.
You may have a family member or friend that’s in the business, but if they’re not the very best, don’t put them on your team. I can’t stress enough to seek out the best players to put on your team because value creation requires expertise. Barry Nalebuff said it best, “Creating value is inherently cooperative, capturing value is inherently competitive.”

There are many business and real estate experts you will want on your team but here are the most important experts you will need:

- Real estate attorney
- Real estate broker
- Loan broker
- Equity raiser
- Property manager
- Support network

The very essence of syndication is finding great deals and getting them financed with debt and equity so that you can close on them. During that process, you need professionals that will help you find, finance and close deals.

Except for a property manager, most of your team is dedicated to helping execute the acquisition. Once you close on a deal, you need “the best” property manager in town to execute your value creation plan. Search high and low until you uncover the best property management company because 70% of management companies suck.


Many real estate brokers, managers and other investors are happy to offer advice to you, free of charge. Use your support network
as a sounding board on tough decision. You will be surprised at the quality of help you will get from some of the smartest minds in the business, if you just ask.

**Uncovering Value Investment Opportunities**

It’s time to jump into your Value Hound suit. You are a full-fledged syndicator of value add investments on a relentless mission to look in every nook and cranny to uncover value creation opportunities. You will sniff high and low looking for value. Do you feel it? I do and it’s a part of who I am.

My goal is to set your mind frame as a true value investor, just like the people you have read about in this book. That’s who you are - a value investor that avoids the herd mentality - pays $.50 for a $1.00, understands that simple is better than complex, and acts on facts, not hunches. You are a value hound on a mission to find great value opportunities for you and your investors.

**Start Small**

As a budding syndicator, you need to start small. You need to learn how to walk before you run. Your nose for sniffing out great deals takes time to develop. Learning a new environment, making new contacts and obtaining the skills it takes to complete deals takes time. Since this is a long term process, there’s no need to rush your business.

I was watching an episode of “Blue Bloods” with Tom Selleck one Friday night and he said something that caught my attention. On this TV show, Tom is the police commissioner of the New York Police Department, and he was giving advice to a new cop who just left the police academy. This cop was getting frustrated because he was working alongside a senior police officer and they hadn’t been involved in any big crime cases. They were strictly working on the street, writing tickets and solving
domestic disputes cases. Tom said to the cop, “You just left the police academy where you learned the skills to become a police officer. On the street, you get to use the new skills that you learned at the academy. You will be working with another officer on small cases until you gain the experience.” Isn’t it really the same for a new syndicator?

I know you want to do big deals. They will come, but it’s more important to the foundation of your career to perfect your syndication skills and gain the experience of working on deals.

Working on smaller deals, early in your career, has its advantages because a smaller deal is:

- Easier to get done
- Quicker and cheaper to correct mistakes
- Easier to raise equity funds, builds skills and experience
- Easier to make contacts, builds confidence, and sets the stage for larger deals.

As a new syndicator, when you go to an investor, having never done a deal, it’s hard to get them to give you money. However, if you have done a deal, even though it’s a small deal, then you are much better positioned as the expert.

**Where to Look for Value Opportunities**

You might have to look at 100 deals and negotiate on 10 deals to buy one, but you can find good deals, especially in this great buyer’s market. Spending time looking at a lot of deals is necessary because not every deal that comes across your desk is a good deal that fits your investment strategy.

Even if the deal meets your investment criteria and you begin negotiating, there is no guarantee that you will end up with the property. The seller may be negotiating with another buyer and
take their offer, or you may not want the deal after further research.

14 Places To Look For The “Perfect” Deal

1. **Real Estate Brokers:** Since real estate brokers are in the business of selling property and are a major source of deal flow, you should start building relationships with many brokers and agents in the area you want to invest. Make sure the brokers you work with specialize in the types of properties that are on your investment criteria list. Be persistent in following up and staying in touch with these brokers. The really good deals come from off market deals that are not listed, so you want to be on the list of buyers they call first.

2. **Loopnet.com:** This website is a property listing source of properties that are for sale nationwide. You can drill down on the type of property that fits your investment criteria. This is another good way to meet real estate brokers as they typically have the listing on Loopnet.com.

3. **Drive the Marketplace:** A couple times a week for an hour or two, you should drive the submarket you are interested in and search for properties that meet your investment criteria. Write down the name and address of the property. Contact a title company or local county records to obtain the contact information of the property owner. Send them a letter inquiring on their potential interest in selling their property. This is a great way of finding good deals that are off market.

4. **Local Newspapers/Websites:** Many property owners advertise their properties for sale in the local newspaper. Regularly, review the real estate section of the local newspaper to find potential properties for sale. I’ve found many deals this way and they turned out to be big winners.
5. **Send Letters to Property Owners:** Get a list of property owners in your area that meet your target market and send them a letter inquiring on their potential interest in selling their property. Make sure to include your contact information so that they can call you.

6. **Send Flyers:** Send a flyer that lists your investment criteria to all real estate brokers and agents in your marketplace. Send this flyer at least once a month to stay in front of this source.

7. **Contact Property Management Companies:** Since management is their game, property management companies are a good source of leads on who is looking to sell their property. They can be incentivized by getting a real estate commission (seller would pay) and keeping management of the property upon sale.

8. **Get Leads From Real Estate Investment Clubs:** Many real estate investment clubs offer an exchange for its members who want to buy or sell property. There are many investors tired of being a landlord and need to sell their property. Attend one or more real estate investment clubs searching for leads to buy a property.

9. **Lending Institutions:** Many lending institutions have foreclosed properties (REO) that are for sale. Typically, these properties are listed with local real estate brokers. Contact your local banks and ask for their REO department. This is a good way to find the top agent dealing with most of the REO’s.

10. **Subscribe to Foreclosure Service:** There are foreclosure services that list properties in foreclosure. You pay for this service to get a list of properties in foreclosure. Contact the property owners on this list and inquire on their interest of selling.
11. **Contact Local Vendors:** There are many vendors that service properties, such as carpet cleaners, landscapers, painters, plumbers, and many more. These vendors know which properties are paying their invoices late. Find out these properties and contact the property owners. They may be having trouble and may want to sell.

12. **Search the County Records for Code Violations:** There are many properties that are violating planning and environmental codes and are being poorly operated. Find out the properties and contact the property owners.

13. **Place Property Want Ads:** Create an ad that briefly describes your investment criteria and contact information and place an ad in the local newspaper or on the internet.

14. **Use Bird Dogs:** A bird dog is someone who comes into frequent contact with problem properties. Tenants, neighbors, mail carrier, trash collectors, delivery truck drivers, repairmen, and such are good bird dog candidates. Tell these types of people you are looking for problem properties and that you will pay them a finder’s fee for information (i.e. $500).

Even though you have established a solid network of resources, there is no guarantee that deals will come quickly and easily. Do not get frustrated. It takes time for the seeds you planted to produce fruit. Make sure you continue to nurture your garden by consistently following these steps. Follow up is everything!

**Analyzing Potential Deals**

There are many factors involved in analyzing a potential deal. These factors are critical, because in order to make a future profit, you must “buy the property right.”
If you overpay for the property upfront, it will reduce your future chances of seeing a profit. The ideal time to make a future profit is when the property is initially purchased. This can only be achieved if all of the pertinent information concerning the subject property and competitive properties has been thoroughly gathered and analyzed.

This process involves extensive research into all areas of the property, including its construction, marketing, and financial aspects. Also, local market studies must be done to ensure investment timing is favorable. Only after this research and analysis will you be able to determine what you consider the true value of the property. You are buying an investment property to add value so understanding the current value will help you analyze the deal profit.

In analyzing the deal, you should contact any and all knowledgeable individuals who might be able to share insight on your questions. Some of these individuals will be extremely helpful, some at no charge, while others may charge for the information. The following may be good sources of information:

- Real estate agents
- City planning department
- Local police department
- Mortgage bankers
- General contractors
- Competitive property owners
- Property managers
- Consultants

Your goal is to understand the property and market in which you are investing. Is the market growing or contracting? What is the crime in the area? How does a subject property compare with its competing properties on rents, amenities, class, sales values, etc.? Can you find ways to create value to the subject property?
Is the subject property undervalued? Analyze the property and market to uncover value so that you can better determine your profit potential.

**Tips for Evaluating Property Location and Market Lifecycle**

You should physically investigate a property’s location, study the area’s past history, and research future growth prospects in the local and regional markets. If the area has been run down, is it on an upturn? Are future road changes going to affect the visibility and accessibility to the property?

You should check with various sources to evaluate the property’s location:

- Get a police report on the area
- Get local demographics of the area (average incomes, unemployment rate, crime, etc.)
- Speak with real estate agents about local market
- Find out if companies are locating or leaving the area
- Look to see if you see new construction going on in the area
- Speak with local businesses to find sales activity
- Speak with local bankers
- Speak with other property owners
- Go down to the planning department to learn about the area
- Check the traffic counts in the area

One of the best things I have done is get into the middle of the local market by walking the area. Park your car and walk around to get a sense of the type of people and condition of the buildings in the area. You will either get really excited about the opportunity or you’ll be scared off by the area. You’ll be
amazed at what you find by walking, opening your eyes, listening, and keeping your mind open.

**Market Life Cycle**

All real estate markets go through four stages of maturity. The four stages vary in length of duration. Some stages last 20 years while other can last over 50 years. Following are the four stages:

**Growing Market:** New building leads to growing areas that have newer construction, higher employment, lower crime, higher income levels, more active involvement in the community and a growing need by people to live, work and play in the area. These areas tend to have higher relative property values, lower cap rates and command higher rents.

**Declining Market:** As markets grow and land becomes less prevalent, new construction slows down. Properties become older with landscaping more mature. These markets were the former growing markets, and are typically found on the edges of the growing market. These areas tend to have Class A- to Class C+ buildings with lower rental rates. The demographics are weaker. People living and working in these areas are typically value people (affordable quality) who want the nicer lifestyle but can’t afford the nicer areas.

**Stagnant Market:** Markets that are stagnant have no growth in population, jobs or energy. Little to no construction is occurring. This market has one of the lowest demographic profiles of the four stages. Low income and poverty is prevalent, crime is high, property vandalism is pervasive, and drug related activity is high. These markets have the lowest rents, lowest property values, highest delinquency problems, and highest tenant turnover. You must be a hands-on property owner in this market.
**Redeveloping Market:** After going through tough, stagnant times, these markets are rebounding into growing areas. Developers are venturing into these markets under urban renewal programs, many sponsored by local government. Properties in these areas typically are closer to central business districts where there is a concentration of employment. Property values are on the rise, rents are rising, and the overall market is getting stronger.

Understanding the local market and the life cycle stage it is in will help you decide if your property is located in a good location for your investment strategy. Don’t ignore this important step in the investing process. If you do, you’ll find many unexpected surprises on your door step down the road, costing you thousands.

**How to Assess Valuation Using the Capitalization Rate Method**

Most people involved with income properties, whether investors or lender, use capitalization rates, aka cap rates, as an important gauge of valuations. Learn how to properly use cap rates when assessing and comparing property values.

The capitalization rate is a ratio that is calculated by dividing the net operating income (the cash flow available after operating expenses is deducted from the total income) by the price of the property. Using this ratio, you must carefully and totally scrutinize the rent collection and expenses to make sure of an “apples to apples” comparison.

Cap rates are used widely in real estate because they provide a simple method to determine a percent return on investment. From that, investors can determine the proper pricing for an investment given an expected return. Simply put, a cap rate is a rate of return on an investment assuming an all cash purchase.
For example, look at the Cap Rate Property Comparison chart below. Notice the relationship between the Net Operating Income and the Sales Price on Properties A through C. If all three investments are offered for sale at the same price, $4,000,000, which property offers the best deal? Property C offers the best deal because the income (Net Operating Income) you would get on the $4,000,000 price is higher. The all-cash rate of return is 9.1% on a $4,000,000 investment.

<table>
<thead>
<tr>
<th>CAP RATE PROPERTY COMPARISON</th>
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<tbody>
<tr>
<td>Number of Units</td>
</tr>
<tr>
<td>One Bedroom Units</td>
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<tr>
<td>Two Bedroom</td>
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<tr>
<td>Average Rental Rate/ Mo. - 1x1</td>
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<tr>
<td>Average Rental Rate/ Mo. - 2x1</td>
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<tr>
<td>Gross Rental Income</td>
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<tr>
<td>Other Income (2% of GRI)</td>
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<tr>
<td>Vacancy &amp; Loss (10% of GRI)</td>
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<tr>
<td>Total Income</td>
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<tr>
<td>Total Expenses (45% of GRI)</td>
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<tr>
<td>Net Operating Income</td>
</tr>
<tr>
<td>Sales Price</td>
</tr>
<tr>
<td>Capitalization Rate</td>
</tr>
</tbody>
</table>

Now let’s look at it another way. In your local investment market, there is an average cap rate that is established by investors buying properties. The relationship between the Net Operating Income (income) they are willing to accept at the price they pay is the cap rate.

For example, if the average cap rate in a local market for an apartment building is 7.6%, then you can calculate value of a property “for sale” by dividing the Net Operating Income (income from the investment) by the average cap rate (7.6%). In
the Cap Rate Property Chart, take the Net Operating Income (NOI) for each property and divide it into the cap rate. Remember, the cap rate is a percentage so you’ll need to move the decimal point. Take the NOI of Property A and divide it by the market cap rate of 7.6% ($303,600 divided by .076 = $3,994,737 or rounded off to $4,000,000).

Knowing the cap rate in your local market will allow you to value property by determining the NOI on a property “for sale.” As you can see, it is critical to ensure you have accurate income and expense numbers when calculating the NOI.

What the current property owner or real estate broker represents as actual income and expenses may not be accurate. You should investigate all revenue and expense figures. Many times the incomes may include money that is projected and is not currently being collected. The expenses might not reflect costs that should be included or may include capital expenses.

**Value Add Example**

Let’s say you buy Property A for $4,000,000 that is generating an NOI of $303,600. The owner has owned the property for over 10 years and hasn’t put much money into keeping the property in good repair. As a result of the property being in poor condition, the rents are low compared to other rental properties in the local market.

You determine it will cost $100,000 to renovate the property so that it is in good repair and has good curb appeal. As a result, you are able to raise rents over the following three years. Let’s say the new NOI would look like Property C - $364,320. Let’s say the market cap rate over the three year period has stayed about the same – 7.6%. What would be the value of your apartment investment three years from now after renovations and stronger income from the rent increases?
We can figure the property valuation using the capitalization rate method by dividing the NOI by the cap rate. So in the scenario we have created, the new value would be…answer says? $4,800,000. ($364,320 divided by .076 = $4,793,684 or $4.8 million). If an investor purchased the property for $4.8 million, they would generate $364,320 of NOI on that investment creating a 7.6% return.

**How to Value Property Using the Price per Square Foot Method**

Using this measuring stick to determine value for an investment property can be valuable if you eliminate the noise in the final comparison.

The price per square foot method of assessing value is calculated by dividing the sales price by the total square footage. This method can be distorted due to the fact that investors measure square footage differently. Some investors use gross square footage while others use net square footage. Using an apartment property example, some units may include the square footage of balconies, patios, garages, basements, etc. into the total square footage. Make sure you are measuring similar square footages on the subject property against other comparable properties.

Let’s take a look at two “identical” duplexes. The seller of Duplex A is claiming that his units have 1,000 square feet of space per unit, while the seller of Duplex B is claiming his units have 1,100 square feet per unit. Assuming a $100,000 asking price of Duplex A and $105,000 for Duplex B, it appears that Duplex A is selling for $50 a square foot, while Duplex B is selling for $47.73 a square foot.

The inexperienced investor would find out that Duplex B actually has 980 square feet per unit of rentable space after deducting the patio space (120 square feet of patio space...
deducted from 1,100 of total square footage per unit) from the total square feet. Thus, Duplex B is really selling for $53.57 per square foot on an “apples to apples” comparison basis. Assuming that all other factors were equal, Duplex A would be a better buy.

Be aware that analyzing the price per square foot for two similar properties will not always give you the complete picture you need to choose one over the other. Some multi-unit properties will have different mixes of unit size, and this will also throw off the price per square foot.

Another factor that should be considered when comparing properties is capital expenditures. If a property requires capital to renovate the property, make sure you add the cost of renovation to the asking price to get an adjusted asking price. Then use the adjusted asking price to calculate your new price per square foot (or price per unit).

Remember, you need to make sure when making comparisons that everything is an “apples to apples” comparison so that your valuations are correct. Go the extra mile to ensure you are getting all the facts before using your yardstick to determine value.

**Crunching the Numbers**

When you get sales packages from real estate agents or sellers on properties for sale, you need to crunch the numbers. The information you get from any outside source should not be trusted. Let me say that again. Do not trust any income or expense information given to you from an outside source such as the seller or broker. Use their information as a basis, but you’ll need to confirm the data given to you.
You will create your own operating pro forma (income and expense projection). There are many investment property software programs that will help you analyze a potential new acquisition. There are very advanced programs you can buy from Argus that cost $5,000 or there are more simple software programs from RealData that only cost $500. For most beginners and intermediate investors, this is a no-brainer. To check out the interview at Value Hound Academy that I did with RealData and learn more about their software available, visit:


Also, you can create your own investment analysis spreadsheet in Excel or some other spreadsheet software program. I had one created specifically for me that is unique to my situation.

Your pro forma will include a realistic income and expense projection on how you will operate the property. Be careful when projecting income and expense. Make sure you obtain local market data and use best practice methods when forecasting.
CHAPTER 7
Finding the Dollars: 8-Step Process to Successfully Raising Money From Investors

Raising money from investors is one of the biggest fears for most new syndicators. My coaching clients tell me Craig, "How does all this legal stuff work...it confuses me?" I also hear them say, "I'm afraid to ask other people for money," or "I don't know that many people who can invest in my deals....where am I going to find investors?" And finally, I hear this most often, “I've never done this before...I'm afraid of the unknown."

These are the types of issues holding my clients back, who are new syndicators, from getting in the game and making a difference in their lives.

What's holding you back? Are you having many of these same concerns or issues that my clients have? I'll bet it has to do with raising money. Right?!

Well, in this chapter, I am going to teach you my 8-Step process...my system to raising money from investors that will
help you overcome all the issues holding you back from raising money; more money than you can place in available deals.

All you have to do is FOLLOW the process and you can successfully raise money from investors for your syndications.

4 Biggest Money Raising Mistakes New Syndicators Make

There are many mistakes that new syndicators make, but there are four BIGGIES. If you avoid these 4 big mistakes alone, without using my 8-Step process, you'll have a 70% chance of raising enough money to get your deal closed. Yeah, you going to make some mistakes, but that's OK. Just don't make these four big mistakes or your chance for success goes way down.

1. **Buy a mediocre deal.** As I mentioned earlier, you NEED a great deal, especially on your first deal. A great deal will get investors excited. It's amazing what greed can do to the psyche of investors. An investor's logical brain can go into sleep mode while their emotional brain, from the greed, kicks in from all the money they think they'll make.

You need a great deal on your first deal. A great deal overcomes all kinds of concerns from your investors. It makes you look better and more creditable. It will overshadow your inexperience and lack of track record. You need a great deal.
2. **Buy a deal that's too big.** The bigger the deal, the more money you need to raise. If you are new to raising money, you will have a hard time raising a lot of money on large money raises. That makes sense doesn't it? Well, unfortunately, many new syndicators bite off more than they can chew. They don't have the discipline so they buy a large deal that requires a lot of equity to be raised and fail. Don't do it.

Buy a small deal on your first syndication. It's more important that you get your first deal closed than it is to try and make a lot of money out of the gate. Bigger deals will come. I guarantee it. But, if you don't get your first deal done, you won't be able to get in the game.

3. **Lack of time to raise money.** If you don't have a pool of investors already lined up and sitting on the side line waiting for you to bring them a deal, then you are playing with fire. Too many syndicators don't start the money raising process BEFORE they have a deal tied up and under contract. They start raising money after they get a deal tied up, creating a short time fuse.

In most purchase contracts, you only have 60 days from the time the contract is signed until you have to close. In reality, you need at least 14 days to conduct due diligence and 14 days to have all the legal syndication paperwork created. That leaves you with only 30 days to raise the money with your earnest money being non-refundable. Ouch!
You need to have a pool of excited investors ready for you to bring them a deal. We talked about this earlier. Build your pool of investors BEFORE you buy a deal. If you do that, and then bring them a deal, your money raising efforts will be much easier and quicker. In many cases, you won't have to sell them anything. They'll just sign the documents and give you their investment money.

4. **Lack of an investment strategy and plan for the property.** Investors want to see that you have a plan, competent professionals to execute that plan, and how you are going to give their money back to them. Unfortunately, most new syndicators are flying by the seat of their pants. They have no strategy. They have no plan. They only have a deal that they THINK they can make money with.

I don't know about you, but if someone brought me a deal with no plan and asked me for money, I'd immediately say no. And you know what? You would do the same thing as well.

So, before you start looking for a property to buy and syndicate, you need to have a strategy, and a plan to execute that strategy. In fact, this is the very first step in my 8-Step Dollar Hound Process to Raising Money
8-Step Dollar Hound Process to Raising Money

This is a simple 8-Step process for you follow to raise money for your syndications. All you have to do is follow the steps, one step at a time.

I want to be very clear. This is a PROCESS...an 8-Step PROCESS. Money raising is a PROCESS, not an EVENT. Unlike the EVENT, which I talked about earlier, where new syndicators make the mistake of raising money when they need it - after they have a deal under contract - that's an EVENT.

You're going to set up a system...a PROCESS to follow so that when you need money for a deal, it will be there for you. But, it takes time to set up your PROCESS. Once the PROCESS is set up, all you have to do is continually work the PROCESS.

So, remember. We are working a PROCESS! A PROCESS!! An 8-Step PROCESS.

Here's the 8-Step Dollar Hound PROCESS Model
These are the 8-Steps in the PROCESS. You're going to become an expert at each one of these steps. You are going to set up your PROCESS and work it. This PROCESS is no good if you don't work it. If you put in the time and work this PROCESS, money raising will become easy for you and give you the confidence you need to get your first deal done and grow your syndication business.

Earlier, I briefly walked you through the first four steps of this 8-Step Dollar Hound Process to Raising Money. Remember, it was the third step on 8-Steps to Syndicating Your First Deal. You learned that you need to start building your investor pool before you start looking for a property to buy. This is critical to your money raising efforts, and I gave you a process for this.

In this chapter, I am going to walk through my 8-Step Dollar Hound Process to Raising Money...one step at a time. The first four steps will look familiar but I'm going to give deeper insight into these steps, as well as the remaining four steps.

So, here we go....

**Step 1 - Create Your Pitch Book**

You are going to create an information package about what you're doing. You have to create a business plan that supports an investment strategy. You're going to create a pitch book on your investment strategy that talks about how you're going to make money for you and your investors.
Here's the cover page of my pitch book. My pitch book is the game plan that I'm executing to make money.

**This is my game plan** - I buy middle market, underperforming apartments in emerging markets that can be repositioned toward the rapidly growing Hispanic market using a community lifestyle management approach. My entire pitch book is built around this game plan.

When I present this game plan to investors, they gain confidence in me and what I'm doing because I have a plan. And that plan, solves a big problem in a big market (providing housing to an underserved market that is the fastest growing demographic group in America). They see that my game plan is a solution to a big problem.
This pitch book makes it easier for me to communicate with my potential investors. It becomes a tool that I use when I'm talking about what I'm doing. You need this tool as part of your money raising process.

In fact, you'll find that your pitch book becomes the very core of your business. It's the backbone to your syndication business. It's the brand on who you are and your expertise. Your pitch book will become who you are and what you get known for. Please read this paragraph again because it's critically important to your money raising efforts.

10 Key Content Items to Have in Your Pitch Book

When you build your pitch book - your game plan - you need to make sure you have these 10 key content items in your pitch book. These content items need to follow a similar order. I have an entire course on this important topic called, *Secrets to Creating a Persuasive Pitch Book that Attracts Investors* that gives a lot more details, but I want to give you the framework (click link above to find out more details on my course).

1. Title Page
2. Investment Highlights
3. Company Overview
4. Management Bio's
5. Track Record
6. Investment Strategy
7. Keys to Success
8. Investment Lifecycle
9. Partnering with "Your Company"
10. Contact Us

These are the 10 content items you need to have in your pitch book. It takes a bit of work to finish your pitch book because you need to go out and do some research. You need to have a very compelling investment strategy that solves a big problem in a big market.

Building your pitch book is the most important step in the entire process of syndication and raising money. Make sure you take quality time to put together a well thought out and persuasive pitch book. Remember, your pitch book is the backbone of your business and who you are.

Step 2 - Create Your Potential Investor List

Now that you have a plan, it's time to start creating your potential investor list. These are people that you know who might be potential investors. You are going to create a list of people who you are eventually going to speak with about your pitch book....your game plan.

Many new syndicators are surprised to learn that there are a lot of people in their world who can be added to a list as potential investors. These are people from all walks of life who you have connected with in one fashion or another.
3 List Building System

To make it easier for you to build a large list of potential investors, I am going to share with you my 3 List Building System.

You are going to create three separate lists of people who you are going to speak with about your game plan. Your goal is to flush out as many potential investors as you can. You are going to crystallize them into one of three lists.

Also, the people you add to your lists, make sure they are suitable for real estate investing and are high net worth people who have the financial strength to afford this.

List #1 - Friends and Family

The people that go on this list are...friends and family. The should be close friends or family. One's that if you lost their money, they are still going to speak with you at family get-togethers.

If you think about all the businesses around the world that get started, they are typically initially funded with start-up capital from family and friends. This is the easiest place to attract investors. They know you, believe in you and trust you. A lot of your initial capital will come from this list.

But as I said, be careful when taking money from family and friends. In many cases, I'm not a big fan of this capital source
because of the potential problems it can cause. But, for some of you, you may need to take the risk. It's the easiest place to find investors for your first deal.

Now, on list #1, I'd like to see you get 50 people on this list. I want you to dig deep and find 50 people to add to this list family and friends list.

**List #2 - Work Associates**

This list is comprised of people who you have worked with in the past and who you work with now. They can be people you work with at your company, people that are your clients, people that provide services to you, and people who you have come in contact with during your work lifecycle. Throughout the years, there are a lot of people who you have connected with as result of your job.

If you are in sales, maybe selling real estate, you are going to have a massive list. In fact, one of my coaching clients is a San Diego commercial real estate agent. On list #2 alone, he has over 400 people, most of which are his present and former clients. This is where he gets all of the capital he needs to fund his deals.

List #2 is going to be your biggest list. Spend a lot of time thinking of people who you have come in contact with that you can add to this list. These people are "all about" making money so this is a rich source to tap.
You should be able to build a list of 100 to 500 people. If you are in sales, your list will be big. At the very minimum, I'd like this list to be at least 100 people.

List #3 - Professionals, Organizations and Associations

People on this list might be doctors, lawyers, accountants, salesman, business owners and the like. There are a lot of high net worth people looking for great investments that are going to pay more than their 2% CD's.

A great place to find people for this list are church members. There are a lot of high net worth people who go to church that know and trust you. They are great people.

How about all the trade associations that you are a part of? These associations have lots of members who might be potential investors. Maybe you sit on a committee with these types of people or maybe you are working on a project together. Dig deep into the groups that you're a part of who might have an interest in what you're doing.

As you build list #3, I want you to get at least 50 people on this list. You should be able to get many more than that, but aim for at least 50 people.

So, when you add up all three lists, you are going to build a minimum potential investor list of 200 people. You are going to have 50 from list#1, 100 from list #2 and 50 from list #3. Ideally,
I would like you to have closer to 500 on your list, but at the very least, find 200 people for your list.

When you’re building your lists, take your time. Put your pencil down and come back later. You'll be amazed at the new people that come to mind so that you can grow your list. My challenge to you is this: I want your total list size to be in excess of 200 people. Can you do it?

Step 3 - Conduct Investor Meetings

In this step, you are going to meet with potential investors on your list. You're going to talk to them about your pitch book and your plan.

Your goal during these meeting is not to sell them anything, but to gain their interest in your game plan. You are trying to get them excited about the prospects of making a lot of money and making a difference in the world investing in your game plan.

3 Ways to Conduct Your Investor Meetings

- **Personally Meet.** Meet them for a meal or drink. This is the most intimate way to talk to investors about your investment strategy. You can look them in the eye. You can see their emotions. But, most importantly, they can see your passion for what you're doing. If you're excited, they're more likely to get excited.
• **Phone Meeting.** Many of your potential investors might be thousands of miles away, making it difficult to meet in person. Send them an email with your pitch book attached. Set-up a call meeting to review your pitch book. Do your best to let your emotions and passion shine during your call.

• **Group Meeting.** Create an event where you have people show up. The event could be a webinar, teleseminar, live event or gathering at one of your industry group meetings. Get people to show up and talk about your pitch book. Talk about why real estate investing via your investment strategy makes sense in today's economy.

During these investor meeting, you are talking about your investment strategy...your game plan to make money. You are not talking about a specific deal, which might violate securities laws. You are only talking in general terms on your plan so that you can gain interest from investors. In the end, you are trying to see if people on your list are interested in your strategy.

**The Big Question to Ask Your Potential Investors**

While you’re talking to investors, you will be trying to determine their interest. Are your investors interested enough to take the next step? Do they like your plan? How serious are they? So, to determine the seriousness of your investors, I want you to ask them this big question at the end of your meeting. Here it is...
If I Find A Great Opportunity That Matches the Plan We've Been Talking About, Should I Bring You The Deal?

Asking them this question makes it easy for you to determine their level of interest. The answer you're obviously looking for is YES!

The people who answer yes to your question, go into another database. I call it the YES Database. I'd like you to build a YES Database of at least 20 people of interested investors before you start looking for a deal to buy. And once you start looking for a deal, I want you to continue your investors meeting until you get to 50 interested investors.

Raising money is a PROCESS. Work the PROCESS relentlessly and you will have amazingly quick results. Focus your time on spreading the word about what you're doing and why it might be important to those you speak with.

Remember Carlos Vaz. The biggest reason for his quick success was his ability to master investor meetings. He meets at a restaurant in Dallas, Texas called Maximo’s. He meets there two and three times a day, every week to speak with investors about his pitch book and game plan.

You can do the same thing. Find your own Maximo’s and regularly meet with potential investors to discuss your game plan. You're not selling anything, you're only trying to get interest in your plan.
Here's what I want you to do. I want you to have 3 investors meetings per week. Come on...that's doable. You need to be having these meetings so I'm putting a number out there for you. Once your pitch book is done and you start building your investor list, I want you to start having three meetings per week. You can do it!

**Step 4 - Build Your Investors Database**

All the investors who have an interest in your game plan go into a database...A YES Database. This is a special database that requires some management and oversight. These are your potential investors in the great deals you find so you need to manage this database.

In this step, your goal is to stay in contact with your YES Database. Keep them excited about what you're doing. It might be a few months before you bring them a deal so keep them engaged during that time period.

**Ways to Stay Connected to Your Database**

- Send them articles on information that's related to your investment strategy
- Send them success stories of other investors building or buying similar type properties
- Send them economic reports
- Send them updates on your strategy
- Send them other successes you've had related to real estate
- Send them your investor newsletter with articles and stories
- Send pictures and charts related to your game plan
- Send property sales data

There are any number of ways to stay connected and keep your name in front of your database. But ultimately, you're going to create a drip campaign by sending your database information. You're going to keep them excited about investing with you.

Because, when you have a deal tied up and under contract, I want you to have a ready and excited database to take your deal to. If you follow these steps, you should have an easy time selling out your deal to these investors in your database. Follow the PROCESS.

**Step 5 - Create Your Syndication Documents**

Once your deal is under contract and you're ready to remove contingencies, it's time to engage a securities attorney to create your syndication documents. You need these documents before you approach investors on your YES Database.

Your attorney will ask for information so that he can create the documents. He will need about 2 or 3 weeks to finish the documents and make the proper filings. Make sure you plan this time lag in your preparation.
The 3 Primary Documents of a Syndication

Depending on how you organize your syndication, there are three documents that create a Private Placement Memorandum, also known as a PPM. Here are the documents in a PPM:

1. Offering Circular: This document is the legal document that discloses any and potential risks, your business plan to make money, and information about the syndicator. This can be an extensive document that talks about how you plan to make money while at the same time notifying investors of potential risks.

   In one part of the document, you're telling how they are going to make a lot of money. In another part of the document, you're telling them that they could lose everything. Yep, that's how it's really laid out.

2. Operating Agreement: This is a legal document that essentially is your partnership agreement. In most cases, you will create an entity that is a LLC, governed by the operating agreement. This agreement spells out the rules of the partnership game: how profits are split, who manages the partnership, what the syndicator can and can't do, what's required authorization of investors, and so forth.

   This LLC entity document will be signed by all investors. Investors will get a percentage membership interest in the partnership entity based on their level of investment. They will
own a part of the entity - this entity owns the property with title in its name.

3. **Statement of Suitability and Subscription Agreement:**
Since investors need to be approved into the partnership based on various criteria, such as accredited or non-accredited investors, you need to have them sign this document to confirm their status.

As the LLC member interests are sold, each investor should send the copy of the subscription booklet and a check for the member interest purchased. The sponsor should carefully review the subscription booklet to make sure that all the requested information is completed and that the investor meets the suitability requirements of the transaction.

In some circumstances, when your raising money from only accredited investors, you don't need to create an offering circular. You only create an operating agreement and a subscription agreement. Going this route will save quite a bit on legal costs so make sure you ask your attorney about this format.

**Step 6 - Raise Investors Funds**

Now that your syndication documents (PPM) are complete and is in compliance with state and federal security law regulations, you can market your investment opportunity to potential investors. Take the list of potential investors you have created and send your PPM to them.
Since the PPM is confidential, make sure only the intended potential investor reads the contents. Finally, make a detailed record of all the potential investors that have received your PPM.

**How to Find and Close Investors Using These 8-Steps**

The most common question asked by syndicators is, “How do you find and close investors?” Unless you have already been syndicating, people generally show some awed respect for this seemingly impossible task. In fact, actually doing it is not as mysterious or as difficult as you might imagine, although it does require some organization, concentration and effort on the 8-Step process we are talking about in this chapter.

Before we get started, I must remind you that selling membership interest in an LLC to other investors is a security that requires following state and federal guidelines. In the selling process, you must follow some guidelines because you will be making a private offering. Each state has its own guidelines so make sure you review them. One common theme among state and federal security laws is that the person (potential investors) must be a personal contact....cool because we have our YES Database, right?

**Step 1 – Develop a First Stage List**

Whether this is your first or tenth venture, you start the process out the same way. As such, you have friends, relatives, clients, customers, or some close business or work associates who are in your YES Database.
Put their names down on a list. You should have no trouble assembling 25 to 50 qualified names. If you are in the real estate business, such as a real estate agent, you probably have more people in your database that can be added to this first stage list.

**Step 2 – Contact Those on the List**

Although you eventually should try to meet with your potential investors, your initial communication can be by telephone. After opening with pleasantries, let the potential investor know that you are involved in something that is “unique,” or that “offers an unusual opportunity,” or that “looks to be extremely profitable for me, and I can get you in on it if it makes sense to you too.” In other words, you want to hook your contact right up front. You want to use some catchy word or phrase that piques their interest so that, hopefully, they will ask you to tell them more.

**Step 3 – Get the Private Placement Memorandum (PPM) in the Potential Investors Hands**

Ideally, you will meet with prospective investors for a few minutes to hand them the package along with a brief cover letter. Your letter highlights the main points (the property, income and value benefits, timing, investment amount, etc.). These are all extracted from the PPM package; they are just highlighted in the letter. The cover letter is a highly effective sales tool.
Step 4 – Develop a Second Stage List and Get the PPM to Those on the List

After completely going through the first stage list, you will know how many of those potential investors are good prospects for your deal. If you don’t feel that you can fund your deal solely with the people on the first stage list, then put together a second stage list while sending out packages to the first list.

The second list requires some deeper thought. You’ll be amazed at how many additional names you’ll come up with after sitting down for an hour with a piece of paper and pencil. To stimulate your thinking, list various categories of businesses, professionals, organizations and other people you know in these categories. Soon, you’ll find you have another list of 25-50 people.

Step 5 – Develop a Third Stage List and Make Contact with These People

You may not need to go this far. You should have funded your syndication with investors from the first two groups. However, if you still need additional investors, the concentration with pencil and paper as used before will produce more prospects for your deal.

Go through all the categories noted above to ferret out new names previously missed. Also, your friends and investors that have agreed to invest money with you can be sources of prospects for you. While you do not want to enlist them as
“finders” of potential investors, their knowledge of your deal can result in some of their friends being added to your third stage list.

**Step 6 – Close Your Prospects into the Deal**

You will, of course, be signing people up and collecting their funds throughout this whole time period. As you are doing so, you must make sure that they qualify for the deal. Don’t be afraid to tell them that they just don’t qualify (too little income/net worth, lack of understanding, etc.).

It is much better to lose them now as an investor than to get them in and have them pressed financially if the deal does not work as planned. Also, they may be a future prospect and will hold you in high regard.

If the prospect is qualified, have them complete and sign the Statement of Suitability and its Questionnaire exhibit(s). This statement, the signed LLC operating agreement and their check constitute the documents you need to have them in the deal.

There you go. You have an 8-Step PROCESS and system to raise money for your first syndication. The first deal is the hardest, but once you get it done, each subsequent deal gets easier. You’ll find current investors referring other investors, and soon, you’ll have more money to invest than good deals to buy.
Step 7 - Close the Deal

Now, by the time you have raised all the money, it's time to get your deal closed. You are going to quarterback the entire process by coordinating three closings. Yes, you read that correctly. You are going to be working three separate closings to get your deal closed. Here are the three closings:

1. **Equity Closing:** You are going to work with your investors to get all the money you need to close the deal into your partnership bank account. You are going to make sure you have all the syndication documents signed, you are going to coordinate and make banking arrangements are set-up so that funds can be wired to the closing, and you're going to be coordinating the equity piece with all other players in this game who are directly accountable for your deal getting closed.

2. **Debt Closing:** You'll be working with your lender, whether on a new loan or an assumption of an existing loan, to get the loan closed. You'll be supplying loan documents, property specific data, entity documents, and other pertinent documentation to your lender. You're goal is the get the lender in a position to fund your loan on the date of closing.

3. **Property Closing:** You'll be working with the seller and/or his agents to get the property closed. The equity and debt closing are a big piece of the property closing, but you will be working on the financial and management
aspects of the property closing. The closing agent will need your entity documents, a rent roll to prorate rents, security deposits, invoices for your vendors so that they can pay them, loan documents, equity documents, and other property specific documents.

You'll also be coordinating the property takeover once the deal gets closed. Is your management company lined up to take over the property when the deal closes? Do you have your construction company lined up? Does everyone at the property level understand the business plan upon takeover?

These are the types of questions you'll need answers to so that you are prepared for a smooth property takeover once the deal gets closed.

The deal gets closed when the closing agent takes all the cash from your lender and your investors, and swaps that with the signed deed. You get the deed and the seller gets the net cash.

Oh, and the best part of the closing is......YOU GET PAID! Yes, you pay yourself the fees you've earned and reimburse yourself for any out-of-pocket expenses. And you know what? You deserve every penny that you will get paid because there's a lot of work that goes into getting a deal closed. You worked hard and it feels good to get paid for your efforts.

Now, you've got a property and a business plan to execute. Your long term wealth building goals will only be realized through
diligent efforts on your teams successful execution of your business plan. So, let's talk about that in Step 8.

**Step 8 - Manage Your Investors**

Now that the deal is closed, the syndicator takes on the responsibility of managing the investment group partnership.

As the syndicator, or managing partner, you will normally have 100% control of the operation of the investment group partnership. You are involved with the day-to-day operations of the property, whether you have hired a property management company or you are doing the management yourself. Ultimately, the responsibility for the success of the investment property remains with you.

**Investor Relations & Partnership Reporting**

Contrary to on-going asset management duties for which fees are justified, fees are usually not justified by the sponsor for investor relations. Keeping investors informed of partnership asset performance is an expected syndicator duty and, in fact, is very important to the syndicator’s current and future career goals. Although it is a simple and easily overlooked task, a regular brief quarterly status report does more good for an investor’s sense of well-being than just about anything else a syndicator can do.

The most important point about investor relations is this: A very little amount of time and effort spent to keep your investors informed buys you a lot of mileage. Do not assume they know
what’s going on. Do not keep problems from them (except the minor day-to-day operating problems). Always be responsive if an investor asks for special information.

These existing investors are your best source of investors for new deals. If they have been made to feel important and informed, they will go into your next deal with you as long as they have the money.

**Why Your Current Investors Will Invest in Your Next Deal**

If you want to build a successful syndication business, you need to become very good at executing this step. This is the "gold" step for successful syndicators because they know most of their current investors will invest in their next deal.

Mastering step 8 is where the gold is for your business. Just like most businesses; 80% of a successful business comes for repeat customers or referrals from your existing customer base. It's no different in the syndication business. Take care of your investors and you will never have to worry about raising money for your deals. In fact, you'll get to the point where you'll have more money than deals. That's what you're striving for in this "gold" step.

**Getting Your First Deal Done**

Now that you have a PROCESS to successfully raise money, there is nothing holding you back to getting your first deal done.
Finding investors for your deals is no longer a roadblock in your way. You've been given a system and PROCESS to follow.

All you have to do is set up this PROCESS and work it. Work it! This PROCESS will produce lots of fruit for your deals. All ya have to do is set it up and work it. But, it takes time, so be patient.
CHAPTER 8

Case Study: Michael Brennan

Michael W. Brennan is a Co-Founder, Chairman, and Managing Principal of Brennan Investment Group. Michael has orchestrated more than $10 billion in industrial real estate transactions in the course of his 30-year career.

Often sought as an industry expert on industrial real estate, Mr. Brennan has appeared on CNBC, CNNfn and Bloomberg Television.

Mr. Brennan currently serves as Executive Director of the University of Wisconsin's James A. Graaskamp Center for Real Estate, a program that is consistently ranked among the best real estate programs in the world.

Michael began his industrial real estate career in 1984, as a real estate agent with CB Commercial. He started his syndication business as a partner in The Shidler Group, a nationally prominent real estate firm specializing in value-add real estate transactions, and in 1994, he co-founded First Industrial Realty Trust (NYSE: FR)
Let's take a look at the first deal Michael syndicated with Brennan Investment Group.

Michael and his team found an underperforming industrial property that he was able to purchase at a sizeable discount to replacement cost.

It's called Prospect Industrial Center in the metro area of Chicago, Illinois. The property is a class B light industrial building built in 1987 with 218,000 square feet of rental space.

This underperforming property was an REO that had some differed maintenance. Poor management was operating the property with 59% occupancy.

Michael purchased the property for $3,525,000. The property needed some love and renovation of about $1,275,000. So, his total all-in cost was $4.8 million.

He went to a lender and got a $3,400,00 loan, which was 70% of the total cost of $4.8 million.
So, he only had to raise $1.4 million from his investors because part of the renovation costs were rolled into the loan he got.

The going in cap rate was 9.15%. After renovating the property, leasing it up, and getting the property stabilized, he was able to raise his cap rate of 16%.

The opportunity for Michael to make money on this great deal was huge. He bought the property at 21% of replacement cost. Wow, that's a home run!

He was able to generate a 10% cash-on-cash return the day he took the property over. This property cash flowed 10% with 59% occupancy. His investment was $1.4 million, creating $140,000 of cash flow day one. Once he gets the property stabilized, he can really generate big cash flow.

When this property is stabilized it's worth $9 million plus. If you do the math, he could triple or quadruple his initial investment of $1.4 million. That's roughly $5 million dollars he can make over the 3 to 4 year holding period.

This is a great deal. This is a home run and the type of deal I want you to syndicate on your first deal. Think Michael had a hard time raising the money from investors on this deal?

Let's take a look at the type of money a syndicator can make on this deal. Now, your first deal might not look like this, but I want to give you as sample of what's going on in today's syndication market place, day-in and day-out.

Before I get started, I want to be very clear. As stipulated by law, I cannot and do not make any guarantees about your ability to get similar results. Your results are up to you. But I can tell you, there are lots of syndicators getting similar results.
Here's a Syndication Profit Sample

- Let's say we take a 3% acquisition fee for finding, analyzing, packaging, procuring the debt and getting the deal closed on the great deal we are syndicating. So, 3% of $3,525,000 is $105,750. We pay ourselves from the money raised at closing a fee of $105,750.

- Now because there are some renovations that need to be done to improve the property, we decide to oversee the construction process and take a 5% construction management fee. So, 5% of the construction costs of $1,275,000 is $63,750. We will pay ourselves a part of that total fee as construction rolls out. When construction is complete, we will have paid ourselves the entire fee.

- Also, we decide to hire a third party property management and leasing company to oversee the day-to-day operations and marketing of space. We will take on the role of asset manager to oversee this process. For doing so, we are going to take a 1% asset management fee of $48,000, which is 1% of the total asset value. We will take this fee every year that the partnership owns the property.

So, the total syndication fees that we will take in the first year is $217,500. These are the fees you can earn for providing services to the partnership. It's nice to get these fees because it helps you run your business. But I got to tell you, there's a lot of work that goes along with those fees so you will earn every cent you are paid.

Many new syndicators sell themselves short and under pay themselves. They don't realize all the work that goes into the services they are providing. Make sure you are fairly paying yourself for these services.
Backend Profit Sample

Depending how you set up your syndication will determine the level of backend profit participation. If you put no money into the deal, then you can expect somewhere around 20 to 25% of the backend profits. If you put in some money, say 10% of the money raised, you can expect your backend profit to be somewhere north of 35%.

After all the investor capital has been returned, a preferred return has been paid, closing costs have been paid, and any fees due to the syndicator have been paid, the remaining net cash is split among the investors and syndicator.

In our example, let's say we get a 20% backend profit participation. With $5,000,000 of net cash to split, we would get $1,000,000. That would be our backend profit.

As you can see by this case study, there is a lot of opportunity to build your wealth through syndicating your own deals. Yeah, this was a home run. But, you can find your own home run, maybe a little bit smaller, but you can find one....just one with 12 months. Yes you can!

And, once you do a deal like this, you can do another one. In fact, you can build an entire business model around syndication. In the next chapter, we are going to look at a blueprint on the opportunity for you to build your wealth through syndication.
CHAPTER 9
The Syndication Wealth Blueprint

In this chapter, I am going to show you a blueprint to what your syndication business might look like. You're going to see how the syndication wealth building engine plays out over time. An engine that you have control over.

You are in the real estate business, giving you a huge advantage over others trying to break into starting and building their syndications business. You've thought about syndicating your own deals, but you haven't got started because of some fears. I know your fears.

It’s not unusual for me to hear new syndicators say, “I won’t be able to find money partners to fund my deals.” As I mentioned earlier, this is a big fear for new syndicators because they don’t have the processes and systems in place to raising money. Well, now you do. In fact, you have a proven 8-Step system that you've learned in the book.

I have met many syndicators of all sizes. Most tell me that in the beginning days they too were often “scared” or, at the very least, apprehensive. You might be surprised to learn that some of the largest syndicators in the world started with less than $10,000 on their first syndication.

Most new business undertakings take guts! But they made it – they proudly put together their first syndication, and now many are controlling multi-millions in property within two to three years. The “getting started” is the tough part. But with the right
training, system, attitude, hard work, and support offered in this book – you can do it too!

So, going forward, I want you be resolved to getting your first deal done so that you can build your syndication business. You are just like everyone else who got started. You fear the unknown. In the book, I've given you a framework to stay on track so that when a surprise rears its ugly head, you'll have a process to keep you on track to getting your first deal done. This is your time to syndicate your first deal.

**Achieving Syndication Wealth**

Unleash *The Wealthy Syndicator* system of finding great deals that offer value creation opportunities and then syndicate them through group investments to create financial freedom for you and your family. The process of finding great value real estate investments and finding investors for those real estate investments can become a business a wealth generating business.

The syndication business can provide a nice income stream to live on, by way of various syndicator fees, and builds long term wealth from backend performance profits. By using a very conservative syndication model (shown later in this chapter), you can become a syndicator or sponsor full time in as little as two or three years and achieve financial independence.

The syndication model is a common model used in the purchase and sale of many types of assets, but for our purposes, it is used quite often with real estate investments. Some of the largest investors in the country syndicate their properties. In fact, many Value Investor Profiles you'll find at the ValueHoundAcademy.com are wealthy syndicators.

I would venture to say that less that 10% of all large commercial real estate investments around the world are actually 100%
owned by an individual or family unit. Most large commercial properties are purchased by pooling investors together through syndication. If you want to build financial independence through commercial real estate investment, then learning how to use the syndication model will help reinvent and grow your real estate business.

Take for example William “Rance” King, Jr. He graduated from college and worked as a business machine salesman to the real estate industry for years. In 1976, he syndicated his first small value add apartment building in California. Rance’s first investors were his co-workers at his place of employment.

Finding success with his first investment, Rance found a great value creation deal on another smaller apartment building, and again pooled investors together using the syndication model. Rance has been using the same syndication model for over thirty five years and has had over 126 properties go full cycle, where he bought and sold his properties, returning consistent cash flow and profits to his investors. During his thirty five years in business, he has made himself and his investors a lot of money. Today, Rance’s real estate syndication business has grown to over $300 million.

Rance’s syndication business consists of many activities in real estate investment, management and construction. Rance is actively involved with the acquisition of new properties, financing the properties, packaging and underwriting new investments for investors, managing properties and investors, construction related activities to build and renovate properties, and eventually selling properties for profits. All of these services take time and require expertise so Rance charges fees for the services he offers. These fees help pay for his support staff so
that he can run his business and provide a comfortable life style for his family.

As Rance says, “This is a get rich slow business.” Find a great value creation opportunity and then syndicate the capital to fund the deal. Research and locate another great value creation deal and then raise the capital to fund the deal. Repeat the process over and over again, while building your long term wealth in the process.

**The Value Hound Blueprint to Syndication Wealth**

I have created a very simple syndication model for you to follow. This model was created with a new syndicator in mind. Experienced real estate professionals can simply multiply the results by “X” number of times based on their experience level.

The purpose of this model is to give you a big picture of the potential of a syndication business. The blueprint must be modified to conform to your real world market conditions, but it gives you a starting point. This blueprint model offers you a “first draft” to tear apart and reassemble into your own particular plan. Have some fun and make your own assumptions and recreate your ideal model plan.

**Assumptions**

There are many ways to structure a partnership with investors. You may have a fantastic deal that has a lot of built in equity where you might want to take less fees and more backend profit. You might have a deal that has a lot of construction where you get paid construction fees to oversee the construction process. Some investors don’t take any fees on their first deal and only participate in the backend.
To keep it simple, I have created assumptions based on what might be in an average syndication model for great deals with a lot of profit potential. Again, there is no hard and fast rule on how to structure your partnership but here are the assumptions for our model syndication plan:

- Acquisition fee of 3% of the purchase price.
- Underwriting fee 5% of the money raised
- Annual partnership fee 1% of the asset value.
- Resale fee of 3% of the sales price
- Sell a property every four years
- Sponsor (you) get 25% of profits
- Buying with a safety of margin (a great deal)

There are some fees you might want to add and others you might want to delete. For example, on a property I syndicated where we did a complete renovation spending almost $2 million, I took a construction fee of 5% of the construction budget to compensate me for services rendered in managing the construction process. So, keep in mind the type of services you may render on your particular deal and add those fees into your model.

Some syndicators will find a property that requires extra capital for renovations that is not used in our sample model plan. Again, that’s okay because your model plan can be a little different.

**Year 1**

Since you are new to the business and still learning the business, I have assumed you are going to buy one property for $300,000 and raise $100,000 from friends and family investors. We are buying commercial properties, but buying a house on your first deal is okay; I did.
Also, remember that we are buying property with a margin of safety, which should be purchasing significantly below market value. Your first deal has to be a “no brainer” for an investor. It should have a WOW factor that when potential investors look at your deal they get excited about the profit potential.

You have plenty of time to find a great value deal. When you contract to purchase the property, give yourself plenty of time to find investors, so ask for a 90-day close with two 30-day extensions when negotiating the purchase of the property with the seller. Don’t agree to a short time fuse on your closing.

Normally, I prefer a small group of investors who put up large investments. They are easier to manage. But in our sample model, as a new syndicator, you are trying to build a growing pool of investors so bigger is better on the first deal.

While you might find one person to give you $100k, I want you to find ten investors with $10,000 each, which will raise a $100,000 for your first deal. Make sure you follow state and federal guidelines as guided by legal counsel.

With the funds you have raised, you will make the planned down payment, pay closing costs, pay your fees, and have money left for reserves. The hardest part of the business, getting started, is now over. Your syndication business is now under way.

**Year 2**

As a result of having your first deal done, you are now viewed differently by potential investors. You are a deal maker who has a track record so raising money starts to become easier.

In year 2, you are going to buy two properties that equal $700,000 in purchase price and raise $300,000 of equity from investors. Every six months you are going to find an awesome
value deal and raise $150,000. I want you to raise $15,000 from 10 investors on the two investments. If possible, try to get as many new investors as possible.

Ideally, by the end of year 2, you might have 30 different investors. This is a great size of investors to manage. In many cases, just making money for this pool of investors can be the very nucleus to raising additional money on future deals. Raising money can be as simple as going to your current investor base and having them invest and bring in other qualified investors.

**Year 3**

After two years of building your syndication foundation, you are ready to buy a bigger deal. I want you to buy a property for $1,500,000 and raise $600,000 of equity capital. You have a pool of investors to start fund raising, and because you’ve been doing this for two years, other investors have approached you looking to invest. If you followed our get-rich-slowly process, the third year will really be a big stepping stone for your business. It’s quite possible you could buy a larger property, raising more than $600,000 because you have built a strong investor following.

You are making nice fees from your syndication business. With a six figure income, you can think about quitting your regular job and run your syndication business full time. You have found financial freedom in year 3, giving you lots of options.

**Year 4**

You will notice the syndication process flip flopping from when you first began. It’s now easier to raise money than it is to find great deals. In year 4, be careful. This is where a lot of syndicators make a big mistake.
You have a large investor pool of investors to fund deals. Many syndicators get greedy to earn fees and start buying properties that are more risky and don’t offer a margin of safety. Follow the plan and only buy great value deals; you’re a value investor. If it turns out you can place more money on great deals, then fantastic. But only buy great deals. It will pay off handsomely in the future.

Continue to buy larger properties because they offer better economies of scale. In year 4, you will buy a $2,000,000 property, raising $800,000. With all the investors chasing you to invest their money, make sure you buy a great value opportunity.

You will sell your first property in year 4. This will return money to your investors and make yourself a nice profit. Many times, investors will want to reinvest their sale proceeds into another deal so you’ll have some available capital for another deal.

I recommend you participate as an investor with your own money in the next deal. Your invested money will be treated the same as other investors, and you might negotiate a higher backend profit split because your money is in the deal. For purposes of our sample model plan, I have not assumed you will invest your money in the next deal.

**Year 5**

Things are really rolling now with your syndication business. You have become a real syndication professional by buying undervalued real estate to profit for your investors. Your business has become quite busy so it’s now time to hire support staff to help further grow your business.
Again, you will sell another property and distribute profits to your investors and yourself.

The last year, in our sample model plan, you are going to buy a $2.5 million property, raising $1,000,000. As the years roll by and your investor pool is large, you can now shorten your closing time frame. There may be some excellent buying opportunities that require you to move quickly with more cash so you now have the flexibility to do so.

**Year 6 and Beyond**

You have created sizeable wealth during the last five years. You only bought great deals to syndicate and got rich slowly. You weren’t influenced by getting too big, too fast. Your investors are your biggest fans and they look to you with confidence to manage their money.

You have many options to continue your business. You can start buying value deals using most or all of your own money, giving you control and more profit potential. You can continue to grow your business by syndicating more deals. Your options are endless because you now have the American dream - financial independence to do what you want, when you want.

**Sample Syndication Model Investment Plan**
Shown in the chart above, the left side of the plan is the acquisition or buy portion, and the right side of the plan is the disposition or sell portion. Properties are purchased each year for five years, and sold four years following the year of purchase. The annual partnership fee is not a onetime fee, like the other fees in the chart, so it is earned each year and is calculated in the total income per year.

This chart can be recreated using spreadsheet software like Excel. Build your own model. You might want to take less fees and more backend profit participation. You might want to take more fees and less backend. I know a syndicator that only took 10% of the backend but took much higher front end fees. You might want to invest a large portion of your own money and therefore require a higher backend percentage. You might be able to raise much more money to buy bigger properties than outlined in this sample plan.

Create your own plan and take action on executing it. It's your time to capitalize on your expertise to build syndication wealth.

**You Need to Get Your First Deal Done**

While the Syndication Wealth Blueprint looks promising, nothing happens until you get your first deal done. You need to get your first deal done.

So, I want you to use this blueprint as a guide for your syndication business. But, the focus of all your effort needs to be on getting your first deal done. You need to give yourself every opportunity to ensure you have the tools, systems and support to get your first deal done. Once you get your first deal done, the flood gate of opportunities opens up...BIG TIME for you to building your syndication wealth.

But, you need to get your first deal done.
CHAPTER 10
It’s Your Turn

I’ve done my best to appeal to your common senses and expose an opportunity sitting in front of you to capitalize on so that you can start building your wealth. This is an ideal opportunity for you to utilize your experience, contacts and resources to reinvent your business by integrating syndication into your revenue generating model. It’s your turn!

I’ve given you the foundation that you need to get your first deal done. In this book, you have the processes and systems you need to take your real estate experience and syndicate your first deal. It’s your turn!

I want you to focus on getting your first deal done. Yeah, I gave you a blueprint on the wealth building opportunity of a syndication business, but nothing happens until you get your first deal done. It’s your turn…Yes, it’s you turn.

Getting Started

I want you to get started syndicating your first deal as soon as possible. Read this book a few times. Go to my website at http://www.ValueHoundAcademy.com and get some more education and training…it’s free.

If you want more detailed training, we offer an exclusive syndication wealth building program called, The Wealthy Syndicator, which you will find more details in the next chapter.
Next, I want you to find your expertise, something you are going to become an expert at. Since you’re already in the real estate game, this should be easy. What market location(s) are you going to be an expert? What product type are you going to be a specialist? You are going to become the go-to-person in your market and product type.

Spend some time uncovering a "bad ass" investment strategy…a strategy that solves a big problem in a big market. Don’t be afraid, but this is going to involve some research. Dig deep and uncover a niche that will serve a growing need. This is the real secret to getting people excited about what you’re doing.

Once you’ve got your specialty, and a "bad ass" investment strategy, I want you to create your pitch book. Your pitch book will be your communication piece to spread the word about what you’re doing.

I have a training program available at Value Hound Academy called, *Secrets to Creating a Persuasive Pitch Book that Attracts Investors*, that not only teaches you how to create and/or fine tune your investment strategy but it also gives you templates that you can use to structure your pitch book. I highly recommend taking this course because your investment strategy is the single most important part of creating your new syndication business…how you’re going to make money with your investment strategy.

Next, talk to everyone about what you are doing. Meet with real estate agents and discuss your game plan. Meet with investors and tell them how are going to make a lot of money for them executing your investment strategy. Talk to property managers, loan brokers, contractors, other syndicators, and city officials. Become a preacher of your mission, your game plan.
As you are spreading the word, you going to get people excited. These people will want to help you achieve your vision and work with you. Real estate agents are going to bring you off market deals that fit your game plan. Investors are going to want to invest with you. You are going to have deals and dollars coming your way so that you can package everything up like a wealthy syndicator.

Now that you’ve got your pool of investor’s lined up, you will be able to move forward on tying up that great deal you found. Maybe, it's a great deal that one of your real estate agents brought you. You are going to package the great deal with your investors to get your first deal done following the process outlined in this book.

You’re going to focus on getting your first deal done. You’re going to have your pool of investors lined up before you find a deal. Then, you’re going to find a small, very profitable deal that fits your game plan. You’re going to package that up into your first syndication…your first deal.

Then, you’re going to repeat the process of finding great deals to partner with investors so that you can pay yourself fees and earn backend profits from the equity growth. You are going to slowly build a syndication business that will help you achieve financial freedom so that you can live the life you were meant to live. But….

**It's Up To You**

Honestly, do you want to keep doing the things you've been doing in your real estate business? Hm?

Or, do you want to say ENOUGH IS ENOUGH, and finally start redesigning and reinventing your business to include syndication
so that you can start building your wealth? You know, to get what you deserve.

You have the opportunity to transform your life. Start multiplying thy gold and creating your FREEDOM - so that you can:

- Do what you want - when you want
- Provide certainty of income
And
- Design the life - you want

I know that the BIGGEST road block to achieving our dreams is - OURSELVES.

That's right.

We continually sabotage our own success. We start with great intentions, but when things get a little tough, we give up. We stop taking forward action.

Don’t let this happen to you. Take action.

**Here’s an Idea**

Many people are eager to get going but lack the expertise, discipline, initiative, or the self-motivation to stick with it. If that sounds like you, don’t feel lonely. There are lots of people from all walks of life in various fields trying something who new struggle with staying focused…so I have an idea.

I have found it quite helpful to partner with someone on your first deal. Having someone around to bounce ideas off of, to keep each other motivated, and to stay focused on getting your first deal done.
This arrangement may be a one-time deal or it could be the start of something quite positive and you may become partners for life. But remember, your goal is to get your first deal done. And if your partner offsets any of your weaknesses, then find support through a short term or long term partnership.

Of all the students I work with on building their syndication business, the ones who have quicker and bigger results are the ones who have partnered up. They have support and keep each other on task.

The Opportunity is NOW!

Don’t miss this opportunity to change your life. It’s there for the taking. All you’ve have to do is step-up and be committed to taking action.

Be honest with yourself. Find the weaknesses that might hold you back from taking advantage of this opportunity. Be courageous enough surround yourself with the right people who can offset your weaknesses.

Most great entrepreneurs understand the things that they are not good at....their weaknesses. They understand their weaknesses. They have the courage and pride to surround themselves with the right people who are good at covering their weaknesses. This is how they succeed and get past obstacles and roadblocks.

This is how you can overcome your fears, apprehensions and lack of stick-to-it-ness. Do you have the courage to do this?

It’s Time for You to Get Your First Deal Done…Today!

Maybe you need help? If you do, we offer a training program exclusively for real estate professionals called,
The Wealthy Syndicator Training Program. Check out the next chapter for details.
CHAPTER 11
The Wealthy Syndicator Training Program

The Value Hound Academy works exclusively with real estate professionals - like you - who are grinding it out, day-in and day-out, working 60-hours a week trying their best to hold their deals together so that they can get paid, earning fees and commissions, and sometimes groveling for fees. You know what I mean. I've been there, done that.

Yeah, most of you are making a decent enough living to survive, but you're not building the kind of wealth you envisioned years ago when you first got in the business.

Sound familiar?

If you're like most real estate professionals, you see yourself building lots of wealth for your clients - not building your own wealth - and what frustrates you even more is you see the opportunity to build your wealth in today's great real estate market, and you're not able to take advantage of it.

So, what we do is help real estate professionals - like you - reinvent your business by integrating syndication into the mix so that you can start building your wealth. Yeah - building your own wealth.
How Do I Make the Change?

“How do I get from where I am today in my real estate business and transition into adding a new profit center syndicating my first deal and start to build my wealth?”

How do I do that?

Well, that’s what you are going to learn in The Wealthy Syndicator Training Program

In this program, I am going to teach you my 8-step system to building your successful syndication business. I'm going to teach you how to become The Wealth Syndicator.

Real Estate Professionals Making the Change

Here's are some of our students - just like you. They were confronted by the same obstacles and challenges that may be keeping you from becoming a Wealthy Syndicator. But, they decided to change their business by implementing strategies in The Wealthy Syndicator Training Program.

Many of them are professionals making 6 and 7 figures, but realized that getting rich and getting wealthy weren't the same thing. They're using their expertise, resources and contacts to build their wealth...syndicating their own deals.

We've had all types of real estate professionals from all over the world changing their business model and reinventing their businesses using our unique 8-step system, a system exclusively for real estate professionals.
Here's a top 30+ year veteran Neil Sherman and very successful commercial real estate broker who finally saw the light.

Neil decided to get into the program after having lunch with one of his syndicator clients, who he's represented for 20 years.

His client said to him, "Since we've known each other, and you've been selling me real estate, I'm now worth over $50 million....what's your net worth?" Since that lunch meeting, Neil has been active in the 8-step training modules, setting up his syndication business. Neil has great business relationships and knows everyone so all he has to do is tap into his database and get started building his own wealth.

Or, how about Jeff Thaxter, a 22 year veteran commercial real estate broker with a specialty in medical office buildings.

He's been helping his clients reposition and repurpose commercial properties to medical use for years. In fact, he recently made his client over $5 million upon closing a deal for them.

Jeff said, “Enough is Enough.” He's using the systems, taught in our 8-module syndication training, to build his own syndication business so that he can start building his wealth doing his own deals.
Let's take a look at Gordon MacLean of Northern Florida. Gordon is an investor who got started running a large commercial real estate brokerage regional office, and then transitioned into becoming an investor.

He started buying distressed single family homes, which lead into multifamily properties.

Gordon has been very creative on controlling properties using a master lease. With 6 properties under his belt, he's learning the principles taught in our 8-step program so that he can start syndicating deals. The first syndication he's working on right now is a roll up of his 6 property portfolio into one syndication that he controls.

These guys are awesome. Here's Josh Hershner and his partner Todd Ashton. They are syndicators who have been buying distressed single family homes.

With their experience and contacts, they decided to step up their game and start syndicating commercial properties.

Using the concepts taught in the Wealthy Syndicator course, they are building a syndication of investors to invest alongside other syndicators.
They are co-investing with sponsors who have value add deals. You got a great deal, they've got the money.

Here's **Adam Ross, an experienced executive** for a mid-sized private real estate investment company.

Adam and his partner are involved with buying and operating properties for their company - deals in the $50 million range.

Adam tired of working for the "man" and not building his own wealth. So, they are building their own syndication company built around the concepts in the Wealthy Syndicator course. I'm expecting Adam and his partner Todd to make a huge difference in their targeted investment space.

How about **Steve Griggs**, who's in the real estate game. Steve's a **general contractor** in the New York area who’s great at rebuilding things.

Before Steve got into our training program, he was scared that he couldn't pull it off - wasn't experienced enough and thought it would be too hard to raise money.

Since getting into the training, Steve has connected with a small town major and will be syndicating and repurposing buildings for the Mayor. Now Steve's out talking to contacts in his database and they're throwing money at him. Needless to say, Steve's confidence is through the roof.
Take a look at **Brent Cummings**. Brent came from **Wall Street** as an investment banker in the mergers and acquisitions space. After over 12 years on Wall Street, Brent decided the timing was right to get into the commercial real estate investment game.

With his institutional background and connections, Brent is learning how to syndicate multifamily properties with institutional equity partners. He's going big time.

We teach you how to transition your real estate business from strictly fees and commissions into earning building backend profits through syndication. You learn how to package up the great deals you find with investors... like a wealthy syndicator.

**How About You?**

If while working your daily real estate business - servicing clients - you found a great deal with lots of profit potential, couldn't you leverage your current business to buy one deal - maybe a small deal - with the right system?

If you want help reinventing your business so that you can start tapping into your talent to build your own wealth through syndication, I encourage you to get enrolled in an upcoming training program.

Click on the following link to get more information on **The Wealthy Syndicator Training Program**.
ABOUT THE AUTHOR

Craig Haskell

Craig Haskell is author of *The Inside Game to Syndication Wealth* and founder of *Value Hound Academy*, a leading training and coaching platform for real estate professionals who want to reinvent their business by adding multiple streams of income and backend profits syndicating their own deals.

Craig works with real estate professionals who are not building their wealth or earning the type money they want, are tired of the daily challenges of a strictly commission or salary based business, and are not achieving the goals they originally set for themselves when they first got in the business.

Craig helps real estate professionals tap into their hidden resources to reinvent their businesses adding multiple streams of income and big backend profit syndicating their own deals.

As an inspiring leader and in-demand speaker, trainer and coach, Craig has helped thousands of investors and organizations around the world to become more successful syndicators of value add real estate to generate more fees and backend profits.
Craig has devoted over 30 years to syndication of value add real estate, and has owned or managed 7,200 units and 2.8 million square feet of commercial space and provided advisory services on over $2 billion in value.

Craig is also author of *The Inside Game to Real Estate Value Investing, How to Take an Apartment Building from Money Pit to Money Maker, Secrets of Successful Apartment Buildings and A Guide to Creating Successful Apartment Advertisements*. My books can be found at our online store located at [ValueHoundAcademy.com](http://ValueHoundAcademy.com).

As the creator of the [Value Hound Blueprint](http://ValueHoundBlueprint), a syndication model for real estate professionals, Craig is the nation’s leading expert on the subject of syndicating value add real estate.