

SHOW NOTES FOR EPISODE 241: HOW TO BECOME A SUCCESSFUL SYNDICATOR

Mastering real estate syndication can be the major impetus that transforms real estate investors into real estate moguls. However, many investors are intimidated by the mere thought of syndicating. In today's podcast, leading syndication attorney Kim Lisa Taylor shares practical, easy to understand tips on how you can both learn and become successful as a real estate syndicator.

What You Will Learn

- What four key prerequisites you need to be prepared for syndication
- The three things you must do before you can hire a syndication attorney
- What is the difference between a “sophisticated investor” and an “accredited investor”
- What actions you need to take immediately once you are under contract
- How to build, grow and develop a powerhouse investor database
- What is the most important thing you must do regarding a potential investor?
- What to do if you come up short on your funding raise

About Our Guest

Kim Lisa Taylor

Was an Old Dawg guest on [episode #49](#), entitled “[The ABCs of Multifamily Syndication](#)” and is my personal syndication attorney.

Kim Lisa Taylor, author, real estate investor, and nationally recognized speaker, and is the founder of Syndication Attorneys PLLC, a Florida law firm that helps entrepreneurs create successful investment companies. She and the other members of the Syndication Attorneys team focus on helping small business owners/developers structure and convey their investment opportunities in a way that will attract private investors, both domestic and foreign. They teach their clients how to use securities laws effectively and provide them the tools and resources they need to achieve their business goals legally. An attorney since 2002, Kim has made corporate securities law her primary focus since 2008. She has written more than 300 Securities Offerings and numerous Joint Venture Agreements.

More About Kim

- Her firm is located in Florida but they can work on deals in any state

- Kim and her husband are also syndicators themselves – own a syndicated property in Ohio

Selecting a Syndication Attorney

- You should have a good experienced syndication attorney already in place before you start shopping for properties
- Kim's firm offers a free 30 minute consultation where she can determine:
 - What kind of deals you already have
 - Whether her firm can help
 - How long it will take
 - What kind of documents they will need that her firm must generate
 - How much it will cost

Four Prerequisites to Syndication

1. Training

- Before you syndicate, you needed to have been mentored or trained on the basics of real estate investing and on finding the right properties. This will help prevent expensive mistakes
- You also need to know
 - What is your business model
 - What type of real estate assets you will purchase
 - Where or in what geographic location will you purchase
- Good Coaches and Trainers she knows
 - [RE Mentor](#) – David Lindahl (multifamily)
 - [Jake and Gino](#)
 - [Rod Khleif](#)
 - [Vinney Chopra](#)

2. Basic Skill Sets You Need

- **Good analytical skills**
 - Be able to crunch numbers. Use spreadsheets to analyze properties
 - Assess data to determine:
 - What you can offer investors
 - How much to purchase a property for
 - What you can offer yourself
 - Is the investment worth the effort?
 - What you need to do to improve a property and boost value
 - How you can reduce expenses and increase income

- Look at current financial data to make profit projections
- **Good Negotiation Skills**
 - Some people just have these skills
 - Others need to learn these skills
- **Good Record-keeping Systems**
 - Must be able to establish and maintain a good record-keeping system
 - This is important for accounting and for reporting
 - Especially important it pertains to your investors
 - Who you've met
 - What conversations you've had with them
 - What are their financial qualifications
 - Your follow-up with investors
 - Things you've sent them
 - What further interactions you've had with them
 - What deals they've invested in
 - There are systems out there that syndicators can use specifically for investor record-keeping purposes
- **Good Organizational Skills**
 - Send to separate and organize information on:
 - Deals
 - Investors
 - Partners involved in deals
 - Information obtained on the properties you've already acquired

3. Having the Right Mindset

- Understand that you are not asking for favors, you are “offering an investment opportunity”
 - You won't be in a position of weakness, you will be in a position of strength
 - You'll avoid individual investors trying to negotiate better deals for themselves
 - It has to be a “take it or leave it” type of deal
 - This is especially important for beginning investors
- **You have to be fearless**
- **You have to be perseverant**
 - You aren't going to mail out 500 postcards and expect to start getting \$100,000 checks in the mail
 - Investor development is like a dating situation.
 - You need to develop a relationship.
 - You need to meet with your investors
 - Gather contact information. Create a database

- Have a one-on-one follow-up system (meet for coffee, video phone calls – Skype or Zoom).
- You also need to understand their financial situation and their investment goals
- Most importantly – you need to like the person. No one wants to be in business with someone for 5-7 years that you just don't like
- Once the relationship is established and you don't have any deals for a while, still communicate with your investors (newsletter, follow-up calls). Remind them you are there
- **You have to be motivated**
 - Need to get up every morning
 - Lay out your tasks for the day
 - Continue to find deals
 - Continue to find investors
 - Juggle a lot of balls at the same time

4. Building Your Team

- **Determine your Internal Team**
 - Syndication is a big task to do by yourself. You need to delegate tasks
 - Partners or paid staff
 - Tasks include:
 - Finding investors
 - Finding deals
 - Doing Due diligence
 - Overseeing the deals you have
 - Communicating with investors
 - 5 team members at max
 - Team skill sets should include people who are good at:
 - Deal analysis
 - Finding deals, working with brokers
 - Negotiation
 - “Boots on the ground” due diligence team
- **Determine your External Team**
 - Real Estate Attorney
 - Helps you with your Purchase and Sale Agreement
 - Helps you with your docs
 - Deals with the seller
 - Assists with escrow company
 - Helps with closing
 - Corporate Securities/Syndication Attorney

- Drafting corporate documents
- Helping you structure the deal with investors
- Forming the companies that are going to take title to the property that are going to sell interests to the investors and embody the internal management team
- Give you the information to follow the correct securities exemption and the filings that are required by the SEC and state securities agencies for your securities exemption
- Real Estate Brokers – who are either providing potential deals or who are involved with your actual properties under contract. Don't bring them into your management team
- Bookkeeping/Accounting – Set-up QuickBooks (If international investors, you'll need a CPA familiar with foreign investment regulations and withholding)
- Marketing Team – maintain website, PowerPoints, presentations
- Property Manager
- LLC Team
 - Form a manager owned LLC to take title of the property
 - Sell off interests to investors
 - Keep a share of ownership for the asset management team of the LLC
 - Will form a manager managed LLC and manager itself will be its own LLC
 - GPs and sponsors will be within your manager LLC

Once You Have a Property Under Contract

- Contact your syndication/securities attorney immediately
- What you must have before hiring a syndication attorney:
 - A signed purchase and sales agreement
 - Reviewed the last two years income and expense statements of the commercial property. Look at the financials to make sure the deal will work
 - Someone from your team who has physically been to the site and driven through the neighborhood
 - Do these things before you spend any other more money hiring inspectors or paying for other repairs
 - The above things are the likely deal breakers
- When you call your syndication attorney, be prepared to answer these questions right away:
 - What do you have under contract? (i.e. 200-unit apartment building in Biloxi, Mississippi)
 - When did you acquire the property?
 - Do you have a 90-day escrow in place? Or a 60-day escrow with a 30-day financing contingency. It takes at least 90 days to syndicate a property. Her typical timeline from engagement:
 - 3-4 weeks to get key documents together (while you are conducting your due diligence)
 - 6-8 weeks to raise the money and process the loan
 - Where do you think your investors are coming from?

- Within your state? (attorney needs to know if you are crossing state lines)
- All over the country?
- Outside the country?
- The attorney needs to assess if it be an intra-state offering or if they work under federal rules
- What are the financial qualifications of your investors?
 - Accredited vs. non-accredited?
- Do you need to advertise?
- With the above information, the attorney can assess what is the best exemption for your syndication, how long it will take, what documents you will need, the structure, cost, rules you must follow

Evaluating Your Investors

- Kim's firm will help syndicators to assess whether an investor is appropriate for your offering
- If you're doing a regulation D 506 (b) offering, for example, that allows both accredited and nonaccredited investors to participate, all investors must be at least be qualified as what's called a "sophisticated investor"
- What constitutes a sophisticated investor:
 - If someone just has a job and some savings, that doesn't qualify them as a sophisticated investor
 - A sophisticated investor generally has to have extensive investment experience:
 - As a business owner
 - Heavily invested in the stock market
 - Owned other real estate investments themselves
 - These things may elevate some up to sophisticated investor status
 - Her firm provides articles that can be given to investors so they can see if they qualify as a "sophisticated investor"
 - The subscription allows sophisticated investors to self-certify." A 506 (b) allows the syndicator to have an unlimited number of "accredited investors" and up to 35 sophisticated investors
- If you are doing a reg D 506 (c) offering, you can advertise the offering but it is only available to verified "accredited investors."
- What constitutes an accredited investor:
 - \$200,000 annual income for the last two years
 - \$1,000,000 in net worth (excluding your primary residence)
 - If married, \$300,000 combined income over the last 2 years or \$1,000,000 in net worth (excluding your primary residence)
 - Accredited investors need to go through a verification process to determine if they are accredited. Verification can come from there own attorney, CPA or registered investment adviser. Or, there are third-party services they can go to (for \$50 or \$60) to review their financials and can issue a verification letter

- **An accredited investor can also be anyone who is a member of the management team of the syndicated offering**
- It's the syndicator's obligation to insure there is a reasonable assurance that the investor is accredited within 90-days before they make the investment
- Her firm does not make the evaluation but can point the syndicator to the right places to get that verification

Things That Can Kill a Deal Under Contract

- Inspection results reveal property issues that cannot be resolved (more rare)
- Syndicator is unable to raise the required funds for the deal (most common)
- The syndicator does not allow enough time to get the deal done and the seller won't give any further extensions
- The syndicator has not developed a data base of investors they can contact when the deal goes under contract. It is not a "If you build it they will come" type of thing! You must have a good database of investors. (The SEC says the median raise for most 506 (c) syndications is \$2 million and has 13 investors, which means you need a database of at least 3 times that many people). You will likely need commitments of at least twice the amount you will actually need to raise. And don't count anyone as an investor until they send you the money! Just keep raising funds until to reach your goals
- If you do your proper due diligence early on, you can avoid most problems that would kill a deal

What Happens if You Can't Raise the Money You Need?

- To avoid this problem, team up with someone who has the experience and money you need. You will give up part of your ownership and control but you will get the deal done
- Reasons people fail to raise the money they need
 - Some people waste all their time chasing only deep pocket investors and they miss the \$50-100K opportunities from smaller investors
 - Even if you do get that big investor, keep raising funds. When you reach the closing table and the big guys bail, you won't be stuck because you have a good broad base of investors to fill the gap

Her Personal Recommendations

- Get a good coach and follow their instructions
 - All of her successful repeat syndication clients have had coaches
 - She had a coach
 - They will keep you motivated and keep you on track
- Other sources of motivation
 - Listen to the [Old Dawg's REI Network Podcast](#)

- Get plugged into your local [REIA clubs](#) and network
- Check out Sam Freshman who was a guest on
 - Her website: <https://syndicationattorneys.com/teleseminars/>
 - The Old Dawg's website: <http://olddawgsreinetwork.com/091-real-estate-syndication-for-dummies/>

How to Reach Kim

- [SyndicationAttorneys.com](#)
 - Does free monthly [teleseminars](#)
 - Offers a [free 30-minute consultation](#)

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