Chapter 2

An economy is a "noosphere" (a mind/based system), and it can evolve as quickly as minds and policies change.

– George Gilder

The Syndicosm

One dominant theme of our textbook is this—today real estate syndication innovation occurs at the intersection of real estate management/development/investment/finance innovation (including cryptocurrency), technology innovation, capital raising innovation and leadership/business model innovation. This convergence is a time and place we can call the "Syndicosm."

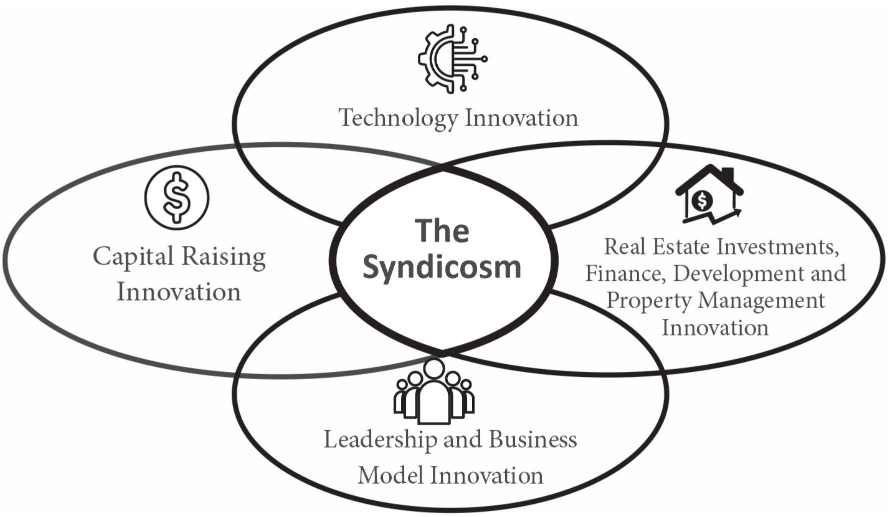


FIGURE 2.1 SYNDICATION INNOVATION'S FOUR DOMAINS

The inspiration for the word Syndicosm comes from one of high tech's most influential historians and futurists – George Gilder. His books – Microcosm (history of the computer age), Telecosm (communication age), and LifeAfter Google (blockchain and cryptocurrency) are by far the best chronicles. The Syndicosm's size in terms of the number of syndications organized each year, number of investors per year and the value of the real estate acquired each year by syndicators is described in Table 2.1.

TABLE 2.1 ANNUAL SIZE OF THE SYNDICOSM

Number of syndications organized per year [1]	**80,000+**
Number of investors per year [2]	**1,000,000+**
Value of the real estate acquired each year through syndication [1]	**$250 Billion+**

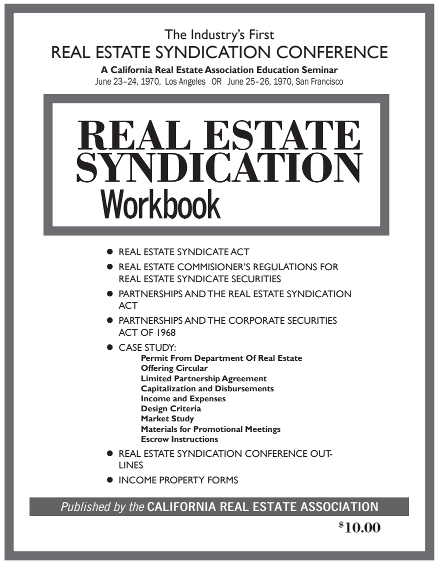
[1] Data compiled from CoStar. Does not include syndications that acquire single family houses

[2] Number of LLC's X 10 investors per LLC

The Big Bang

When Congress passed the JOBS Act in 2012, its crown jewel— "crowd-funding"—was our syndication industry's "big bang." Before the industry's status quo could adjust to this once-in-a-hundred-years legislation, outlier entrepreneurs like Jilliane Helman, founder of Realty Mogul (crowdfunding portal), and Harold Hofer, founder of Rich Uncles (Reg D 506(c) online Direct Placement Sources/Strategies #6), grabbed center stage of the syndication circus with their first class "crowdfunding show." Now our syndication industry is in a "big hang-over" trying to recover its balance between tried-and- true Property Processes practices and the seismic-like Placement Processes shifts.

Keeping Your Eye on the Ball That Matters the Most



Syndication Industries' First Conference - 1970

What makes your company special? What makes your company and your SPO/BPO investors money? Is it your Property Processes or Placement Processes? For sure it was and always will be your Property Processes. In my 50 years in the syndication field, which includes four major industry implosions caused by economic recessions and/or tax law overhauls, I can't recall one client with strong Property Processes (see next chapter) going out-of-business. Conversely there have been many sponsors imploding and losing their business when their Property Processes were under resourced even when their Placement Processes were strong. The Syndicosm's evolving "new body of best practices" is an integrated alchemy of new sciences, new technologies, new theories, new players, new business philosophies, new business models, new management philosophies and even new currency—crypto. No one knows the adoption rate of AI, blockchain technology and tokenized syndication investing. All we know is they are here to stay for a while. Our book's frameworks and the underlying models may have origins in one of the four domains illustrated in Figure 2.1. Rest assure the other three domains influence strongly all the frameworks/models.

SYNDICATION 4.0

The real estate syndication industry has four episodes. Syndication 1.0 (1900-1970), Syndication 2.0 (1970-2010), Syndication 3.0 (2012-2022), and now Syndication 4.0-the Syndicosm (2022-?). Table 2.2 highlights the "markers" of these four eras.

TABLE 2.2: SYNDICATION INDUSTRY'S FOUR EPISODES

Syndication 1.0 (?-1970)	Syndication 2.0 (1970-2010)	Syndication 3.0 (2010-2022)	Syndication 4.0 (2023-?)
Industrial Economy	Information Economy	Network Economy	Innovation Economy
Art of the Deal	Art of Syndication	Technology of Syndication	Science of Syndication
Data Technology	Information Technology	Knowledge Technology	AI and Analytic Technologies
No Web	Search Web	Semantic Web	Smart Web
No Real estate Securities Laws	First real estate securities laws	JOBS Act	Crypto Securities Laws
Real estate becomes an alternative asset class	First syndication conference/education First trade Association (RESSI)	Successor Trade Association (ADISA)	
JVfinding	Customerfinding	Crowdfunding	Clientfinding
Dominant Investor Type: Partner	Dominant Investor Type: Customer	Dominant Investor Type: Member	Dominant Investor Type: Client
Dominant Investor OPS Model:	Dominant Investor OPS Model:	Dominant Investor OPS Model:	Dominant Investor OPS Model:
Syndication as-a-Project	Syndication as-a-Product	Syndication-as-a-Platform	Syndication as a Service
Driving Resource Knowledge about real estate	Driving Resource Pioneering spirit + FINRA broker-dealer relationships.	Driving Resource Access to venture capital interested in owning a large stake in Tier 1 crowdfunding portals +Investor members and customers	Driving Resource Access to "growth stock" investors interested in owning stock in the sponsor company

Investor Value Element Cash Flow + Appreciation + Tax Benefits after Appreciation	Investor Value Elements Cash Flow + Appreciation + Tax Benefits after Appreciation	Investor Value Elements Cash Flow + Appreciation + Incremental Innovation	Investor Value Elements Cash Flow + Appreciation + Radical Innovation
Private Equity 1.0 (5)	Private Equity 2.0 (6) Web 1.0 (1) Web 2.0 (2)	Private Equity 3.0 (7) Web 3.0 (3)	Private Equity 4.0 (8) Web 4.0 (4)
No Tech	Fintech 1.0 Some Proptech 1.0	Fintech 2.0 Proptech 2.0 Syntech 1.0	Fintech 3.0 Proptech 3.0 Syntech 2.0
Analytics 1.0 Descriptive	Analytics 2.0 Diagnostic	Analytics 3.0 Predictive	Analytics 4.0 Prescriptive
1031 Exchanges	TIC Industry (1031 exchanges) Starker Delayed Exchange	Delaware Statutory Trusts	
USD Currency	USD Currency	USD Currency	Cryptocurrency
B2B Mind-set	B2C Mind-set	B2C Mind-set	B2B Mind-set
Web 1.0 “read-only web” (search web) Web 2.0 “participation social web” (social web) Web 3.0 “read and write, execute web” (semantic web) Web 4.0 “collective intelligence/AI web” (smart web) Private Equity 1.0 “financial engineering” Private Equity 2.0 “managerial engineering” Private Equity 3.0 “Value-Added Buyers Private Equity 4.0 “Partner for Growth”			

Syndication 4.0 represents the next step-jump in our syndication industry. The following major trends shape the reality of the Syndicosm:

Crowdfunding: legislated-in crowdfunding portals.

506(c) Offerings: legislated “advertise all your want” for SPO, TICO, DSTO, BPO private placements (new SEC Regulation D 506(c)).

Relational Technology: the relentless march of "smart" and "relational – based" technologies.

Generative AI: autonomous agents (bots) will impact "who you will not need to hire."

Investor-Clients: transformation of the conventional investor-"customer" best practices to an advanced investor-"client" next practices.

Everything Digital: digital transformation of our society, including real estate syndication.

Crypto: digital currency (crypto currency).

Value-Add: brick and mortar may be the shell of the buildings you syndicate but the digital tethering of your buildings' users/tenants with your company and other resources that drive a tenant's business use is the locus where value-add innovations will play out.

Incremental Innovation – Out: Incremental innovations will not cut it anymore if Early Stage and Emerging Growth Stage sponsors want to launch and grow big and fast.

Radical Innovation – In: The new performance bar is radical innovations (technology system innovation plus business model innovations).

Advanced Analytics: Almost every function of your Property Processes (Property Acquisition, Property Finance, Property Transformation and Property Management) and Placement Processes, (see Table. 1.1) are steadily becoming automated, embedded with artificial intelligence and advanced analytics (see Chapter 1: Playing Smarter; The Power of Core Strategy).

DSSs more than DMSs: Advanced and automated analytic systems will be at a level of either decision management systems ("DMS") (where no human is in the loop) or at the level of decision support systems ("”DSS") (where there are humans in the loop).

Software Eating the World: Software off the shelf or delivered via a cloud-based service has been eating up every business function and real estate syndication is no exception. A great first step for Early Stage or Emerging Growth Stage sponsors is to realize that smart buildings, smart investors, and smart sponsors depend on digitally enabled systems and tools. Today there is even no code software. It's never been easier, faster or cheaper to automate business processes.

Hold Core Tight, Outsource Context: Our next chapter will introduce the idea that outcompeting in the age of digital and AI requires sponsors to know how to identify their core systems and programs vs context systems and programs. Core systems and programs (your sponsor differentiation) should be designed and built or bought (not licensed-in) so your core systems and programs are proprietary and have IP protection whenever possible. This "build your own proprietary systems and programs" strategy is one of McKinsey and Company's new "best practices" mandates. McKinsey and Company is a global business consultancy. The following is an excerpt from a recently published book titled *Rewired: The McKinsey Guide to Outcompeting in the Age of Digital and AI.*

> *Companies still purchase systems from vendors to run their enterprise, but the rise of digital technologies and the related new architectural paradigms and ways of developing software are making it possible to also develop and maintain proprietary applications. As the software industry matures and evolves, a software supply chain has emerged where you can develop applications by assembling them from existing software building blocks and develop new code only when necessary. These developments and new ones on the horizon such as generative AI, are radically reducing the cost and time to develop proprietary applications, and making it possible for any company to compete on that basis now.*

These 14 "trends" of the Syndicosm have their logic rooted in the evolution of three phenomena, namely economic value evolution, science/technology evolution and relationship technology.

Economic Value Trajectory

Syndicators exist to provide "economic value" to the sponsor's stakeholders. There are four groups: corporate shareholders, tenants/users, SPO/TICO/BPO investors and lenders. "Economic value" should have a much broader meaning than just "financial returns." In fact, financial returns are the direct result of non-monetary values first being provided to shareholders, tenants/users, SPO/TICO/BPO investors and lenders. The term "impact investing" has its origins in the expansion of the concept of "economic value." Table 2.3 lists nine different economic values in hierarchical form. This architecture of economic value evolution includes the nine values, the economic function, the nature of the offer and methods of supply. For sponsors, this meta-framework enables sponsors to contextualize the start of their search for tangible and intangible added values for the sponsor's stakeholders. Chapter 3 will explore the topic of Property Processes. Chapter 4 will dive into Placement Processes. Both processes create varying values. When innovation is the end game the starting point is the sponsor's stakeholders. Capturing economic value for your stakeholders is a discovery, design and development challenge that requires a different application of economic values for each stakeholder group.

TABLE 2.3 ECONOMIC VALUE HEIRARCHY

	Economic Values	Economic Function	Nature of Offering	Method of Supply	Tech Exemplars	RE Exemplars
TIER 2	Transformation	Guide/Deliver	Effectual and Individual	Sustained Through Time	Amgen	Scripps Hospitals
	Wisdom	Guide	Effectual and Individual	Sustained Through Time	Opera Solutions	Syndication 4.0
	Creativity	Guide	Effectual and Individual	Sustained Through Time	IDEO	Capgemini ASEs
	Knowledge	Guide	Effectual and Individual	Sustained Through Time	Accenture	Alexandria Biotech Centers
TIER 1	Social Connection	Access	Memorable and Personal	Revealed on Demand	Facebook	La Jolla Beach and Tennis Club
	Entertainment	Stage	Memorable and Personal	Revealed on Demand	YouTube	Edwards Cinemas
	Information	Deliver	Intangible and Customized	Revealed on Demand	Google	Rich Uncles
	Data	Deliver	Intangible and Customized	Revealed on Demand	Oracle	Digital Realty REIT
	Goods	Make	Tangible and Standardized	Stored in Bulk	Walmart	Del Taco

Science/Technology's Trajectory

There is a sure-fire way to forecast when and how sciences/technology will evolve. Just put science/technology in the same conversation with natural and artificial evolution (all things pertaining to business are artificial creations by people or institutions). By placing science/technology in the context of "evolution," we can see how other macro imperatives will play out in the Syndicosm. In a nutshell, sciences/technology wants what life wants. The following is a list of macro-based trends,(whether natural or artificial). Science/technology mimics life and life (including your syndication business) wants or should want the following for itself and your stakeholders:

- Increasing efficiency
- Increasing opportunity
- Increasing emergence
- Increasing network effects
- Increasing complexity
- Increasing diversity
- Increasing specialization
- Increasing freedom
- Increasing mutualism
- Increasing beauty
- Increasing sentience
- Increasing structure
- Increasing evolvability
- Increasing returns

Relationship Technology

Prior to Syndication 3.0 the central economic imperative of sponsors was to increase productivity. Today, besides the imperative of "efficiency," the focus of the sponsor should be on how to use offline and online technologies to increase the quantity and quality of "economic relationships." The Jobs Act of 2012 has enabled sponsors to deploy every natural or artificial tool to take advantage of network economics which is the holy grail of Property Processes and Placement Processes innovation (see later definitions of "network effects"). There is no end to the complexity, subtlety and power of relationships in an innovation economy. In our next chapter—Placement Process Frameworks—investors will be classified four ways.

Members **Customers** **Partners** AVM **Clients**

Each of these four categories are enabled in different ways by online and offline information and communication technologies. These technologies are intensifying, increasing, and transforming the ordinary meaning of "state of relationship" into an excited "state of hyper relationships." Out next chapter will introduce the Technology Service Industry Association ("TSIA"). The TSIA has developed a four level operating model ("OpS" model) which can be applied to both your Property Processes and Placement Processes.

THE INNOVATION PREMIUM

Syndication 1.0, 2.0, and 3.0 spans 100 years. During this millennium, investors and syndicators have taken advantage of the "appreciation premium" in real estate's DNA. How often have we masked over or paid for our investing and business building short comings with the "appreciation premium"? Every real estate wealth building story has the "appreciation premium" as the central plot and cash flow a close second. Going forward during Syndication 4.0, the "appreciation premium" and "cash flow premium" will share center stage with the "innovation premium."

TABLE 2.4 THE INNOVATION PREMIUM AT WORK

Percentages of selected companies' stock price based on expected return from "future innovations" vs "existing revenues" [1]		
COMPANY NAME	FUTURE INNOVATION EXPECTATIONS	EXISTING REVENUES
Dell Computer	78%	22%
Johnson & Johnson	66%	34%
Procter & Gamble	62%	38%
Kroger	13%	87%
Sears Roebuck	8%	92%
AOL Time Warner	8%	92%
1 Calculations made by Holt Associates, a unit of credit Suisse First Boston in 2002 and 2010.		

Smart Buildings, Smart Investors, Smart Sponsors

This "innovation premium" occurs when investors value today the innovations expected in the future. To illustrate Table 2.4 is an example of three "growth-stock" companies with the "innovation premium" portion of their stock's price compared to the price of their stock based on current revenues. Table 2.4 above also includes three "value-stock" companies. These three companies are priced by investors based on current revenues more than expected future innovations. This "innovation premium" is all consuming for executives of growth-stock companies. Management teams of rising "growth stock" companies dread the day their company's stock value ever falls from "growth stock" status to "value stock" status. For good reason. Only 4% of once "growth stock" companies that back-slide into "value stock" status are ever able to recapture "growth stock" status. All of this is important because your "ideal investor profile" will almost always include those attributes more akin to the "growth stock" investor profile and not the "value stock" investor profile.

Exponential Returns

What kind of returns on "intended outcomes" do you want for your company, its shareholders (if any), the investors in your SPO/TICO//BPO offerings and for the tenants/users of the properties you syndicate? The topic of "returns" does not have to start and stop on the basis of "investment capital returns." We can also include in this topic "creativity capital returns." Both kinds of returns can have the same "return algorithms," namely simple returns, compounded returns, increasing returns, accelerating returns and exponential returns. The latter returns should be every sponsor's goal. Exponential returns is a positive change in both the size and speed of the "intended outcome" a system or process realizes for itself. Thus, exponential return is a combination of increasing and accelerating returns of an "intended outcome," as shown in figure 2.3.

Increasing Returns + Accelerating Returns = Exponential Returns

FIGURE 2.3 FORMULA OF EXPONENTIAL RETURNS

One Without the Other

Increasing and accelerating returns are often confused for one another. A system or process can enjoy either "size of return" increases or "speed of return" increases on its intended financial and creativity outcomes. Enjoying one does not ensure the other will be realized, however. Here's why. Increasing returns and accelerating returns are different. For accelerating returns, a sponsor will have to capture a fair measure of increasing returns first because receiving a small return fast does not accomplish very much. Therefore, both exponential returns and accelerating returns hinge on designing systems and processes with increasing returns strategies.

If You Have to Raise Start-up or Working Capital

Whenever the Early Stage sponsor has to raise "start-up capital" or the Emerging Growth Stage sponsor has to raise "growth capital" for its company, the best analog to help with planning are the attributes that separate "growth stock" best practices from "value stock" practices. If your company will design your Core Strategy following the formulas offered in Part II you will ensure your "story" to investors feels like the story of other successful Early Stage "growth stock" companies they have seen or invested in before.

When you develop your SPO, TICO, BPO and/or corporate financing "ideal investor profile" this topic of "growth stock" vs "value stock" characteristics and circumstances becomes a branding element you can leverage. In Chapter 4 in the section titled *7 Voices of Your Brand* you will be introduced to an important tool in your capital raising toolbox—the Early Stage and Emerging Growth Stage sponsor's Placement Processes language algorithms.

THE UNIVERSAL KPI-"BEST IN-_____ "

Innovation experts have a saying "if you cannot measure it then you cannot innovate it." Key performance indicators ("KPIs") are the tools in your management toolbox for measuring the kind, amount and timing of your innovation efforts.

An easy to use and universally recognized performance metric is called "best-in _." Using our Sponsor Growth Stage framework, we can see that the "best-in _" KPI is a moving target (Figure 2.4). You want to measure your company's performance all the time even if your efforts right now are in the Explorer Stage.

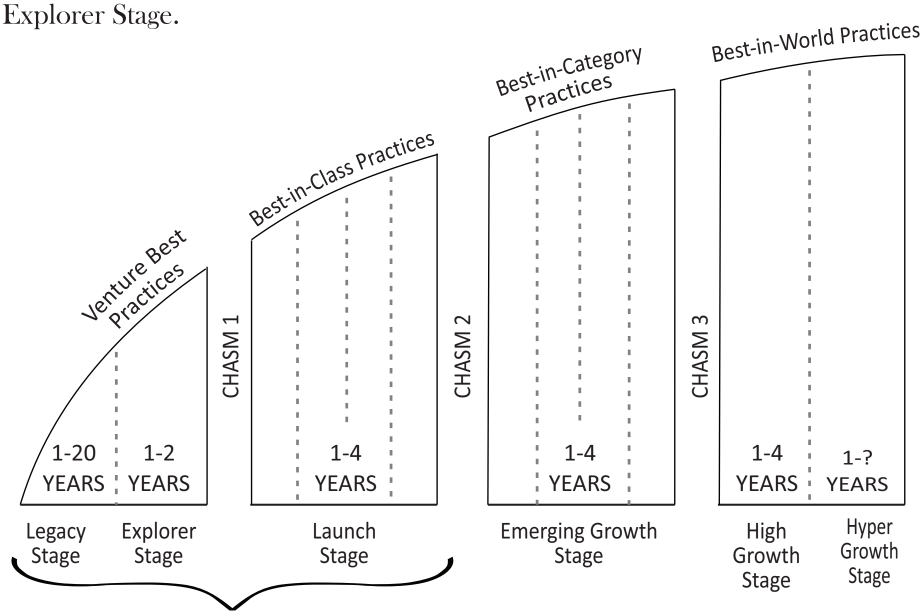


FIGURE 2.4 SPONSOR GROWTH STAGE FRAMEWORK AND THE "BEST-IN- _" KPI

The following descriptions summarize the different KPI - "best-in-____" standards.

Explorer Stage "Venture Best Practices." The Explorer Stage represents that period of time when some or all of the founders of a sponsor company are coming together and going through their own version of the start-up game. Like most new ventures (high tech, low tech, or no tech), all things mission-critical with your Property Processes and Placement Processes can look and feel "fuzzy." Non-scientific, intuitive decision making, not scientific method-based decision making, dominates. Silicon Valley, the mecca of ventureland provides the largest body of knowledge ("BOK") for start-up entrepreneurs. One of Silicon Valley's start-up gurus Guy Kawaski's book, *The Art of the Start*, captures the zeitgeist of ventureland. "Artsy" correlates well with the decreasing returns experienced by start-up companies and existing companies launching new products. Decade over decade only two out of ten start-ups ever see their sixth anniversary. (See Chapter 1: section titled Gaining Lift Velocity—Knowing Your Odds). After all, most art fails commercially as well. The antidote to "fuzzy" and "artsy" thinking is reliable scientific method-based start-up company models and practices. One goal of your Explorer Stage practices is to cross Chasm 1 in such a way that your business building "best-in-class practices" can quickly be achieved in your next stage.

Launch Stage "Best-in-Class Practices." Achieving the level of today's "best-in-class practices" during your Launch Stage only means that you have a knack at launching an enterprise. Since launching a new business doesn't grab any headlines and is more "made-in-America" than even apple pie, it becomes easy to tag Early Stage companies that cross Chasm 1 as "good." "Good" is not "great." In fact, "good" is actually the enemy of "great." In Part II, more will be said about this topic—good vs great.

Emerging Growth Stage "Best-in-Category Practices." Launch Stage sponsors that cross Chasm 2 do so because their business building late in their Launch Stage achieves close to "best-in-category" performance. The ultimate goal of this textbook is to be your "guide on the side" helping you cross three Chasms and landing your company into your High Growth Stage. This means your company, if it chooses, can deploy all the Direct Placement Processes, including your ability to secure selling agreements with crowdfunding portals. In addition, enough resources and capabilities to successfully design, develop and deploy Wholesale Placement Processes to secure selling agreements with FINRA regional broker-dealers, family offices and crypto intermediaries.

High Growth and Hyper Growth Stage "Best-in-World Practices." Crossing Chasm 3 puts a sponsor in a tough spot to meet the KPI of "best-in-the-world." Becoming "best-in-the-world" at anything is not for the timid or lucky.

INNOVATION TERMS AND DEFINITIONS

Innovation: to change; inventions that make money.

Ideal Final Results: All desired expectations are met, and all undesirable outcomes avoided. This concept originates from the technology problem solving body of knowledge (BOK) called TRIZ. TRIZ originated in Russia in the 1950s as an acronym pertaining to "technology-based problem solving." TRIZ has become a reliable tool of innovation practices.

Breakthrough or Breakaway Innovation: To change on a magnitude,

Architecture: The way (design) components of a system or process fit together. Architecture can have some of its designs closed and proprietary and other designs open and non-proprietary.

Architectural Innovation: Rearrangement in the way components of a system or process fit together while the technological or processes approach of the components remains unchanged.

Modular Innovation: A fundamental change in the logical approach of a component in a system or process when the system or process architecture is left unchanged.

Compatibility: Components of super-systems, systems and sub-systems that fit and work together when the designs of their components and the architecture that fits these components wrestle with system or processes interdependencies and legacy issues. When architecture creates compatibility, the variant components can be distinguished without being incompatible.

Radical Innovation: A large "technology or processes innovation" plus large "business model innovation."

Incremental Innovation: A small change to something. Could be a small change to technology, processes, business model, or anything else.

Increasing Returns: A positive change in the size of the intended outcome a system or process realizes for itself.

Accelerating Returns: A positive change in the speed of the intended outcome a system or process realizes for itself.

Exponential Returns: A positive change in both the size and speed of the intended outcomes of systems or processes. Thus, exponential returns include increasing returns and accelerating returns.

Network Effects: Often called network externalities. It means that the value of a network depends on the number of members and each new member increases the value of the network for all members. This kind of network is called a combinatorial network. Facebook is a combinatorial network. The internet is a combinatorial network. Syndication platform businesses like Realty

Mogul and other tier 1 crowdfunding portals are more closer to being a combinational network as opposed to being a radial network. Figure 2.5 illustrates a combinatorial network. To date only combinational networks are associated/the cause of "network effects."

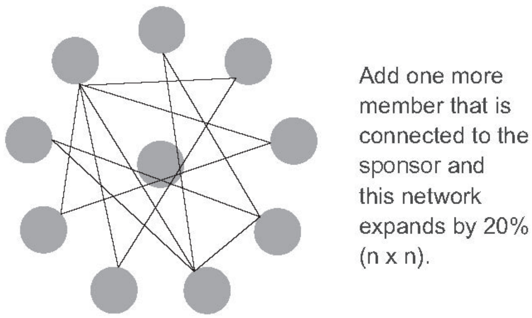


FIGURE 2.5 COMBINATORIAL NETWORK

Another Kind of Network Is Called a Radial Network: Figure 2.6 depicts the radial network. SoFi, the online bank is a good example of a radial network-based enterprise. Your company's online 506(c) Direct Placement Processes (#6) are an example of a radial network in motion. In this kind of network when a new investor joins there is not automatically an increase in the value of the network for everyone else.

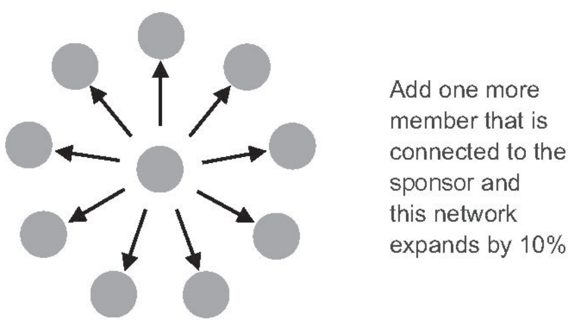


FIGURE 2.6 RADIAL NETWORK

Group Genius: Researchers have noted that collaborative-based innovations can break through the limitations of individuals. Said another way, "group genius" can do what "individual genius" can't do. Around our lab (www.causalworks.ai) we have to keep reminding ourselves and our clients that "all of us are smarter than any of us." This comports with the views held by experts in the fields of intelligence and creativity. One prime example is David Bohm, a colleague of Albert Einstein. He believed that real intelligence (wisdom) was always the product of group thinking and not individual thinking. For Dr. Bohm, the right course of action for real intelligence cannot be done by improving thought individually. He pointed out, "as with electrons, we must look on thought as a systemic phenomenon arising from how we interact and dialogue with one another." In this dialogue, participants must suspend judgement, regard each other as colleagues and be guided by a facilitator who, according to Dr. Bohm, "holds the right context."

Power of Place

This term is quite familiar to you for obvious reasons—the buildings you syndicate have to be places your tenants/users desire and value highly. The "power of place" holds an important and an enabling role in your company's innovation/operational efforts as well. The grand master and pioneer of "group genius-based" work is Matt Taylor of the MGTaylor Corporation. This company has developed a patented suite of invention processes, tools, frameworks and physical environments. My firm has a license for this powerful innovation engine and environment. Capgemini Consulting also has a license. Capgemini's Group Genius™ suite of services is called Accelerated Solutions Environment("ASE"). There are over 15 ASE's around the world. 50 of the Fortune 100 are repeat users of Capgemini'S ASE's. The promise and performance of Group Genius™ is that nine months of planning and validation work gets done in three days. Notable users are Hewlett-Packard, NASA and Microsoft. The photo below is a Group Genius event in progress.

CASE EXAMPLE

House broker turned syndicator and property manager

One of my favorite clients over the years is a family-owned sponsor company: Allen Properties. The founder of the company and patriarch of the Allen family was Charles Allen. Charles parlayed his clientel from his humble beginnings as a house broker in Orance County, California. Charles began syndicating using the Value-Add meta-business model. Charles used SPOs and was acquiring small Class B and C buildings in two Class B micro-markets in Orange County, namely Bellflower and its neighbor Lakewood. His first acuisitions were made during the Recovery Phase of the Real Estate Economic Cycle. See Chapter 1. Quick investor profits ensued. Charles' fifth through tenth apartment SPO were funded by reinvesting investors and their referrals. His syndication business was taking off at the same time two of his four children were graduating college. Paul and Frank Allen joined as property management specialists. Over the next 15 years Allen Properties completed 30 more Value-Add apartment SPOs. Soon Allen Properties' property management division became the enabling opertion of everything however.

Allen Properties' core business became property management and brokerage. This meant their personal incomes and financial security was not dependent on their syndication business. You could say they were part-time sponsors. See Chapter 1. From the reputation of their property management business came a high number of apartment owners wanting out of the property management responsibility for their properties. From this pool of investors came investor-clients investing and 1031 exchanging large invetments on a repeat basis. On their 40th to 43rd SPO I introduced Allen Properties to a successful regional broker-dealer that raised all the capital for Allen Properties Group 40 through Group 43. These SPOs were twice as large as previous syndications. Charles retired from the business in 2005 followed 12 years later by Paul and Frank. Allen Properties represents best-in-category syndication practices with "back-yard economics" driving all their Property Processes and Placement Processes.