



Chapter 4

*You can't skip steps.
You have to put one foot in front of the other.*

— Jeff Bezos

Placement Processes

Our last chapter recommended that your Property Processes universal KPIs be nuanced to fit the stage of your company's growth. Table 4.1 puts universal KPI "best-in-_____" labels on both Property Processes and Placement Processes depending on your stage of growth:

TABLE 4.1 UNIVERSAL KPI "BEST-IN-_____" PRACTICES

STAGE OF GROWTH	PROPERTY PROCESSES UNIVERSAL KPIS	PLACEMENT PROCESS UNIVERSAL KPIS
Legacy Stage	Current career's Best Practices standards	Current career's Best Practices standards
Explorer Stage	Pre-start-up Best Practices	Pre-start-up Best Practices
Launch Stage	Best-in-class Practices	Best Practices
Emerging Growth Stage	Best-in-category Practices	Best Practices
High Growth Stage	Best-in-world Practices	Best Practices
Hyper Growth Stage	Best-in-world Practices	Best Practices

Why the nuances, you might ask. And why do Placement Process universal KPIs remain the same during each stage of growth when Property Processes KPIs change at each stage? The answer goes to the heart of a mission-critical point of view I am trying to develop throughout this textbook. This POV is the following:

Many of your Property Processes, namely Property Management, Property Transformation, Property Financing and Property Acquisition system and program strategies, tactics and tools should be treated as “core” systems, programs, tactics and tools. This means placing your competitive differentiation, reputation and any of your proprietary intellectual property squarely on many of your Property Processes systems, programs, tactics and tools.

Not so with Placement Processes. Theoretically none of your Placement Process systems, programs, tactics and tools should reach the status of “core.” All your Placement Processes’ Sources/Strategies, tactics and tools can be outsourced and treated as “context” except one element. This lone exception is the processes and technologies that support the Sponsor/Investor-Client Relationship operating strategy called Syndication-as-a-Service (SaaS). Shaping your relationship with investors to the SaaS level of sponsor/client provides plenty of white spaces for creating mission-critical “core” systems, programs, tactics and tools. The Appendix describes 75 tactics and 42 tools.

The reality is that Placement Processes (except the one exception described above) do not strike at the heart of what is going to make your company different, better, or both in the eyes of your investors. Notwithstanding, Placement Processes capabilities are necessary for your success. But never confuse “necessary” with “got-to-have.” It is “necessary” to have “good” Placement Processes capabilities/resources. But many of your “core” Property Processes’ systems, programs, tactics and tools are “got-to-have” elements for great Early Stage and Emerging Growth Stage business building. Without Property Process “crown jewels” you have nothing “special” to sell investors.

Common Language Hurdles

Ninety percent of the time a founder or co-founders of real estate syndication companies are real estate experts before becoming syndicators. These founders have no trouble sharing a common real estate language. What these same founders, as a rule, don’t share is a reliable common language about syndication capital raising strategies, tactics and tools. In short, they don’t share a common language about Placement Processes. As a result, two bad scenarios can happen. The first scenario (which I see time and time and time again) is the dilemma Early Stage sponsors put themselves in when “everyone is going to raise capital.”

When everyone is raising capital, usually “no one is raising capital” The second bad scenario happens when the real estate experts on your team delegate capital raising to one of the founders, or the founders hire a “capital-raising” expert. If the whole team doesn’t embrace a common language for Placement Processes then when the non-capital raising founders meet with the capital raising experts, the non-capital raising founders can’t understand (to the level they need to) the Placement Process budgets, plans and key performance indicators (“KPI’s”) established by the capital raising expert. It can easily become a planning and communication train wreck. The goal is accelerated Group Genius™ not accelerated group chaos (see Chapter 2 section titled “Innovation Terms and Definitions”). Early Stage enterprises have enough obstacles to overcome. Executives can avoid talking past one another. Language serves as the core thread connecting concepts and illustrating capabilities in an understandable framework. That’s our aim for this chapter.

Repeating for emphasis, it is critical that your co-founders and early hires share a common language about Placement Processes. Doing so your company will increase the speed and accuracy of your budgeting, allocating, resources and responsibilities for your Placement Processes decision making. Exponential capital raising is not achieved accidentally or by luck. It begins by design and great design begins with good classification schemas and models. By the middle of your Launch Stage your Placement Process playbooks will be shaping up. So much so that these playbooks will begin to resemble a platform with all the requisite automation and optimization technologies. Now let’s begin the review of the following planning elements for Placement Processes.

This chapter reviews five Placement Process topics most important to Early Stage and Emerging Growth Stage sponsors. Our five topics are the following:

- Placement Processes Sources/Strategies
- Investor Affluency and Personality Categorization
- Sponsor/Investor Relationship Strategies
- Eight Zones of your Investor Funnel
- Seven Voices of your Brand
- Placement Processes Budgeting Formula

PLACEMENT PROCESSES SOURCES/STRATEGIES

In Chapter 1 we reviewed how your firm’s “capital raising capabilities” can signal how much “lift velocity” your company really has at any particular time. Let’s repeat here in Table 4.2, the three categories of Placement Process Sources/Strategies:

TABLE 4.2 PLACEMENT PROCESS SOURCES/STRATEGIES FOR EARLY STAGE AND EMERGING GROWTH STAGE SPONSORS

DIRECT PLACEMENT SOURCES/STRATEGIES	WHOLESALE PLACEMENT SOURCES/STRATEGIES	CORPORATE FINANCE SOURCES/STRATEGIES ¹
<ol style="list-style-type: none"> 1. Friends and Family Processes 2. Finders Processes 3. Other Sponsor JV Processes 4. 506(c) Offline Processes 5. Registered Investment Advisors (“RIAs”) Without Broker-Dealer License Processes 6. 506(c) Online Process 7. Online for DST Processes 8. Crowdfunding Portal Processes <ul style="list-style-type: none"> • FINRA Licensed • Market Making • Crypto-based 9. DST Portal Processes 10. Family Office Processes 11. Become your own FINRA Broker Dealer and create your “inhouse” Retail Sales Team Processes 12. Private Equity Fund Processes 13. Foreign Investor Processes 14. Crypto Fund Processes 	<ol style="list-style-type: none"> 1. Hybrid RIAs – FINRA and SEC Licensed Processes 2. Local Boutique FINRA Broker-Dealer Processes 3. Regional FINRA Broker-Dealer Processes 4. National FINRA Broker-Dealer Processes 5. FINRA Registered Rep Processes 6. Family Office Processes 7. Crypto FINRA Broker-Dealer Processes 	<ol style="list-style-type: none"> 1. Seed Round Processes for Explorer Stage 2. Lean-in Seed Round Processes for Explorer Stage 3. Start-up A Round Processes for Launch Stage 4. Follow-on B Round Processes for Late Launch Stage 5. Growth Capital Round Processes for late Launch Stage and Emerging Growth Stage
	<p>¹ Corporate capital raising for working capital can be debt, equity, revenue participation interests or a mixture of all three instruments. Warrants and options attached to debt, equity and/or revenue participation interests (“RPCs”) instruments motivate investors. For a complete list and description of 38 debt, equity and RPC instruments see the author’s book titled <i>Financing The New Venture</i> (353p), Amazon books.</p>	

In the Appendix, a full menu of online and offline tactics (75) and tools (42) will be provided. These tactics and tools will complement the fourteen Direct Placement Sources/Strategies, the seven Wholesale Placement Sources/Strategies and the five Corporate Finance Sources/Strategies.

INVESTOR AFFLUENCY AND PERSONALITY CATEGORIZATION

Real estate syndication investor classification schemas begin by separating individual’s vs institutional investors. The latter group of investors generally invest in BPOs and BPPOs of real estate private equity firms. These offerings of private equity firms generally target class A properties in class A locations. Often these types of properties are called core or core+ properties. The sponsors of these private equity funds are themselves, as a rule, in their High Growth Stage of syndication business building. They have traveled the same roads you’re on right now. This book may have some forgotten lessons for High Growth Stage sponsors but our focus is on Early Stage and Emerging Growth Stage sponsors.

Financial Metric Categorization

Individual investors are classified along financial metrics and personality metrics. Everyone for a long time has adopted the financial standard metrics developed by the federal and state securities laws. Table 4.3 describes the two categories.

TABLE 4.3 ACCREDITED VS NON-ACCREDITED INVESTOR REQUIREMENTS/DEFINITIONS

CATEGORY	REQUIREMENTS
Non-Accredited Investors	Any investor that does not meet the income and net worth requirements of the “accredited investor” requirements of the SEC.
Accredited Investors	<u>Income</u> : \$200,000/yr for past two years and expectation of the same in current year. For marital partners this level of income has to be at \$300,000. or <u>Net Worth</u> : \$1,000,000 (exclusive of residence equity)

SPO and BPO offering documents rely on the language of the accredited vs non-accredited standards. That’s fine, let the lawyers do what they have to do. Sponsors do not have to gear their Placement Processes Sources/Strategies tactics and tools planning within the context of the accredited vs non-accredited investor definitions.

Affluency—A More Dynamic Classification

Ask yourself—do you feel better being called “affluent” or being called “accredited”? Let’s suppose some of your investors are shy of meeting the accredited investor standard described in Table 4.3. Would they want someone to call them “non-accredited” or “affluent”? Being referred to as “affluent” wins out in any scenario. Anytime your company makes candidate investors and existing investors “feel” elite they will reciprocate with allegiance. Table 4.4 describes the three levels of our affluency categorization.

TABLE 4.4 DEFINITIONS OF AFFLUENCY

CATEGORY	REQUIREMENTS
ULTRA-AFFLUENT Over 5m households in US	INCOME: \$400,000+/yr NET WORTH: over \$4m (not including residence equity)
RISING AFFLUENT Over 16m households in US	INCOME: \$200,000 /yr to \$400,000/yr NET WORTH: \$1m to \$4m (not including residence equity)
AFFLUENT Over 33m households in US	INCOME: \$100,000 /yr to \$200,000/yr NET WORTH: \$300,000 (including residence equity)

Investor Personality Categorization

There is one more classification schema you should consider during your “ideal investor profile” planning. Table 4.5 classifies people according to their mindset type:

TABLE 4.5 MIND-SET DEFINITIONS

TYPE	DESCRIPTION
Dreamer	Everything is possible regardless of the odds.
Optimist	Think the best possible things will happen if the odds are dealt with.
Skeptic	Inclined to question all claims. Not convinced something is true unless verifiable and in turn verified.
Pessimist	Thinks the worst will happen at all times.





Dream BIG/Be OK with a Worst Case Scenario

There is a reliable business planning axiom that is just as solid today as it was 100 years ago. It goes like this: dream big but make sure if the worst case scenario shows up you can live and work with it. One application of this axiom plays out like this—Early Stage and Emerging Growth Stage sponsors should assume the majority of their candidate investors will be, by nature, skeptics and/or pessimists. You have to make this assumption on every project you syndicate. Making this assumption can be the difference between success or failure. Making this assumption automatically brings necessary rigor into your property acquisition processes. Closing on these kinds of investors will still be a big challenge. This means that these kinds of investors will be, by their nature, inclined to question every claim your company makes about itself, the market and the properties you syndicate. Syndicators and investors share one thing in common—a love for real estate investing. But that’s where mindset synchronicity stops. Thus, whatever claims you make about your company and/or the deal being syndicated better be backed up with evidence to meet the most demanding skeptics’ due diligence checklist. There will always be family and friends that will think and behave like optimists and dreamers. If your company is lucky enough to have a deep pool of family and friends as investors, then God bless you. This book is for sponsors who are not so fortunate.

SPONSOR/INVESTOR RELATIONSHIP STRATEGIES

Just like tenant/users are not all alike and the sponsors’ relationship with tenant/users comes in four flavors (see Chapter 3), investors are not all alike either. Investors come in all shapes, sizes and strategic relevance. The kind of relationship you have with investors likewise comes in different (regardless of investor type) flavors. The kind of relationship you choose and shape with your investors will be your capital raising compass. There are four ways to classify the Sponsor/Investor Relationship. Each category demands a different kind of Sponsor/Investor Relationship operating strategy. Table 4.6 describes our framework.

TABLE 4.6 KINDS OF SPONSOR/INVESTOR RELATIONSHIP STRATEGIES

KINDS OF SPONSOR/INVESTOR RELATIONSHIPS		SPONSOR/INVESTOR RELATIONSHIP OPERATING MODELS
Sponsor/ Investor Member		Syndication-as-a-Platform
Sponsor/ Investor Customer		Syndication-as-a-Product
Sponsor/ Investor Partner		Syndication-as-a-Project
Sponsor/Investor Client		Syndication-as-a-Service

Value and Effort

The four kinds of relationships your company can have with investors can be measured two ways:

- lifetime value of an investor
- output effort of your company

The differences in the profiles of your investors depend on the kind and degree of “got-to-have” interest they have in your company and its SPOs, TICO and BPOs. Your company can shape the kind of Sponsor/Investor Relationships you want now and over the remaining years of navigating through the Sponsor Growth Stages. Figure 4.1 shows a matrix based on value to your company and effort by your company to meet their needs.

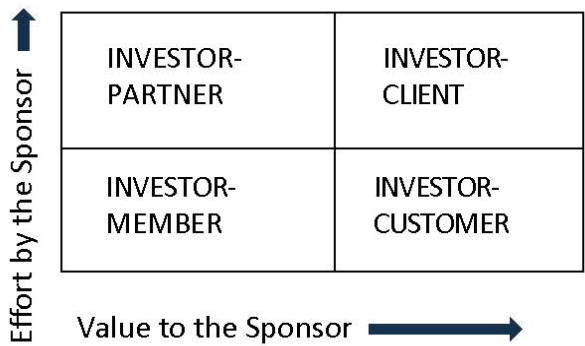


FIGURE 4.1 VALUE/EFFORT MATRIX

Borrowing Some Pages From Your PMaaS and PTaaS Playbooks

Sponsors have four primary groups of individuals/institutions to serve namely corporate shareholders, tenants/users, SPO/TICO/BPO investors and lenders. Chapter 3 concerned your relationship with tenants/users of the properties you syndicate. It was pointed out that there are four levels, or four different ways, you can relate with your tenants/users. You can treat your tenants/users as generic occupants (“Level 1”), customize your efforts to ensure your tenants/users are treated as customers (“Level 2”), optimize the customary to ensure your tenants/users are treated like “clients” and finally there is the chance you can form joint ventures with tenants/users.

Table 4.7 provides another look at the PMaaS and PTaaS operations model. It is presented here again. The logic of the model when applied to your tenant/users provides some comparative insight for this chapter’s recommendations concerning your investors.

TABLE 4.7 PTaaS AND PMaaS OPERATING MODEL

LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4
Basic Offer	Complex Offer	Optimized Offer	Outcome Offer
Occupant-tenant/user	Customer-tenant/user	Client-tenant/user	Partner-tenant/user
Basic Building	Upgraded Building	Transformed Building	Special Use Building
Basic Lease	Complex Lease	Optimized Lease	Joint Venture Lease
Maintenance Services	Maintenance Services	Maintenance Services	Maintenance Services
Data Handshake	Data Handshake	Data Handshake	Data Handshake
		Implementation Services	Implementation Services
	Info/Data Services	Info/Data Services	Info/Data Services
		Adoption Services	Adoption Services
		Operate/Manage Services	Operate/ Manage Services
		Consumption Analytics	Consumption Analytics
		Recommendation services	Recommendation services
			Outcome Services
		Success Science' Study behind tenant-user success processes: skills, metrics, technologies	

Investors Want a Stairway to Value

In our last chapter we illustrated and described the “stairway to value” as it applies to tenant/users. Now we will deploy the same construct but this time within the context of the Sponsor/Investor Relationship.

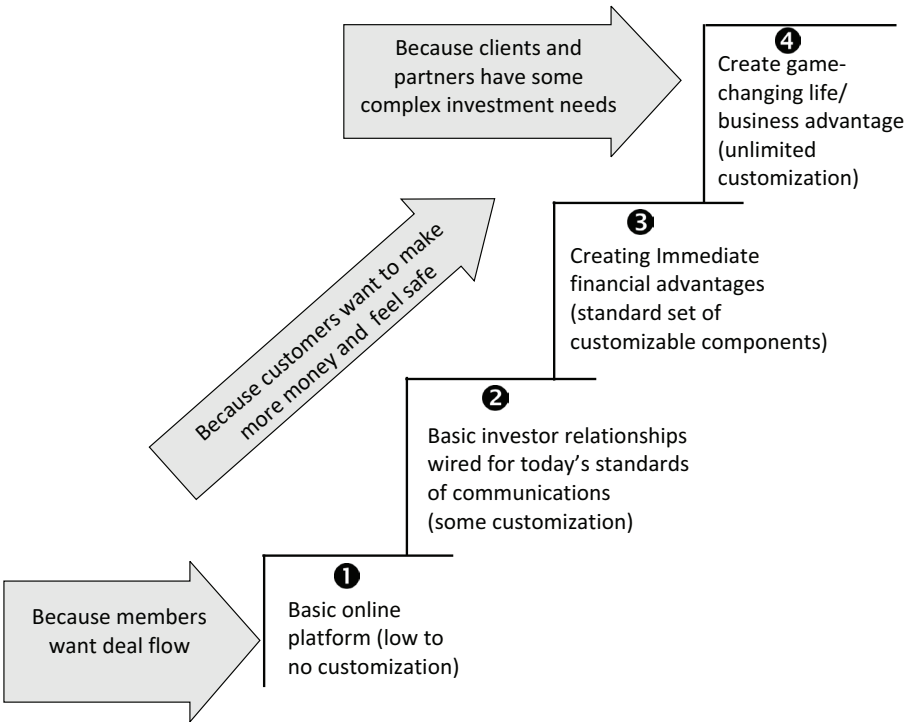


FIGURE 4.2 INVESTORS’ STAIRWAY OF VALUE

Our task now is to describe each level of the Sponsor/Investor Relationship Model. Table 4.8 kicks things off with the basic construct.

TABLE 4.8: SPONSOR/INVESTOR RELATIONSHIP FRAMEWORK

LEVEL 1 MEMBER	LEVEL 2 CUSTOMER	LEVEL 3 PARTNER	LEVEL 4 CLIENT
Syndication-as-a Platform	Syndication-as-a Product	Syndication-as-a Project	Syndication-as-a Service
Online Investor Member	Passive Opportunistic Investor Customer	Active JV Investor-Partner	Passive All-in Investor-Client
\$10,000 - \$100,000	\$10,000 - \$100,000	\$Million - \$10 Million per Deal	\$Million - \$20 Million (AUM)
Investment	Investment Range		
No Agreements	Basic LLC Covenants	JV Agreement Governs	Basic LLC Covenants Customized Year-Round Services
Maintenance Services	Maintenance Services	Maintenance Services	Maintenance Services
Data Handshake	Data Handshake		Data Handshake
Information/ Data Services	Information/ Data Services	Information/ Data Services	Information/ Data Services
			Implementation Services
			Adoption Services
			Operate/Manage Services
			Consumption Analytics
			Recommendation Services
		Success Science ¹ Study behind investor success processes: skills, metrics, technologies	

¹The continuous efforts by the sponsor to improve/innovate its Investor/ Clients' systems and programs. Obsession, differentiation and de facto standard setting drives “success science.”

Level 1

Sponsor/Investor-Member Relationship

Our first level is the investor-club model. Establishing investor clubs is nothing new. It is an old strategy. What is relatively new is the hyper-investor club relationship model enabled by the Jobs Act of 2012 and online technologies. The extreme version of investor clubs is the legislated-in crowdfunding portal business model. These crowdfunding portal businesses are pure-play platform businesses. They are just like Amazon.com except the producers are not retail product companies and the consumers are not everyday Joes.

Because of its online functionalities, the crowdfunding portal business operating model is called Syndication-as-a-Platform operating model. We include this model in our Sponsor/Investor Relationship strategies because the successful crowdfunding portal business has the right to sponsor their own syndications. So theoretically your young sponsor company could become a licensed crowdfunding portal business. The best practices to follow in order to organize and capitalize such a business is clear thanks to such crowdfunding portal business pioneers like Realty Mogul, RealCrowd and a few others. So let's open the kimono of these successful platform businesses to see the Launch Stage and Emerging Growth Stage requirements for executing on the Syndication-as-a-Platform business model.

- The licensed crowdfunding portal business owns the platform. As owner it does two things and both have to occur, more than less, simultaneously.
 - o Investor-members have to be solicited and on-boarded as qualified “accredited investors.” These members have the right to look at all the approved sponsors’ current SPOs. These members choose what SPO/sponsor they are interested in.
 - o Sponsors have to be solicited as well and on-boarded (“curated”). These vetted sponsors’ SPOs make up the “producer” or “providers” side of the crowdfunding portals’ platform. Even when investors in the “member status” basket finally sign an SPO/BPO subscription agreement they do not change their “relationship status” with the crowdfunding portal. They remain a “member” in good standing with the crowdfunding portal and they become an investor-customer of the approved sponsor they invest with.

- National crowdfunding portals have had to raise a boatload of start-up and working capital (\$10-\$70 million) in order to execute on the above investor-member and sponsor solicitation and onboarding processes.
- It takes about 2-3 years to have the requisite number of vetted sponsors on one side of the platform.
- Takes the same 2-3 years to attract the requisite number of investor-members for the other side of the platform.
- Crowdfunding portal platforms like any other B2C platform business, compete in a winner-takes-all-race. These races have already taken place. What's left for future crowdfunding portal businesses is vertical market segments. These segments will have to be large enough for two to three crowdfunding portal businesses to thrive as niche players in each vertical segment.

Members are fine with an online relationship with the crowdfunding portal. Members show up in the real estate syndication industry to pick and choose their own sponsors and SPOs/TICOs/BPOs to invest in. The more deal-flow the better. From the platform owner's point of view the online relationship is just fine. After all, members will not barge into the platform owner's office expecting to meet with principals of the crowdfunding portal. The digital handshake with the platform owner is just fine for members. Webinar events are better than in-person meetings from the investor's standpoint.

Your Own Investor Club

You don't have to become a licensed crowdfunding portal to execute on the idea of an "investor club." The strategy is straight forward. You can promote your own investor club. There are no securities or real estate laws prohibiting investor clubs.

Using aggressive online social media advertising, a sponsor positions itself as a subject matter expert. Investors are invited to become "club members." The benefits offered "club members" are initially education oriented. Then when the sponsor syndicates a property that the sponsor invests in personally and heavily, the "club members" are introduced to the offering. A good example of this approach is Ian Ippolito. Ian is the founder of the Real Estate Crowdfunding review. As of August 2023, Ian reports having over 6,200 members in his "private investor club." Once they invest, these same "club members" now move into the Level 2 Sponsor-Investor Customer Relationship model.

Level 1 Services

The following services (systems and programs) align with Level 1:

Maintenance Services. Any systems and programs offered to a member who has minimal expectations from its relationship with your company.

Data-handshake Services. These systems are powered by online technologies. Their primary purpose is to enable the first contact between a sponsor and a member.

Information/Data Services. These are services designed to help augment the value members get from their use of information-based insights and other information-related activities you provide. The main objective of these services is to improve the members' insight by offering information that provides supplemental information that has been aggregated by the sponsor.

When Raising Capital Through a Crowdfunding Portal and Not Becoming a Crowdfunding Portal Yourself

Syndication 3.0 is ending where Syndication 2.0 ended in the early 2000s-tough due diligence standards for sponsors. Early Stage and Emerging Growth Stage sponsors face due diligence requirements that are getting tougher all the time. In short-if your company is not in the late stages of your Emerging Growth Stage then, Direct Placement Sources/Strategies 7-14 and all the Wholesale Placement Processes identified in Table 4.2 are probably not included in your next 12-month capital marketing/sales plans/budgets today. Securing selling agreements with FINRA broker dealers, to get in the doors of family offices or approved for listing on a crowdfunding portal is reserved for sponsors that exhibit among other things the following:

- “long in experience,”
- “high volume of high return exited SPOs,”
- Proof of surviving an economic downturn (“market crash”) and managing well (not perfect) all the SPO investor assessments/loans needed at property level, tenant retention challenges and lender loan recasting battles.
- Financial statements reflecting high net worth.
- High cash-on hand.

In Appendix, a full menu of online and offline Placement Processes tactics (75) and tools (42) will be provided. These tactics and tools will complement this first Sponsor/Investor Relationship strategy and the fourteen Direct Placement Sources/Strategies, the seven Wholesale Placement Sources/Strategies and the five Corporate Finance Sources/Strategies.

Level 2

Sponsor/Investor-Customer Relationship

This strategy dominated Syndication 2.0 (1970-2010). The Sponsor/Investor-Customer Relationship is akin to the kind of relationship investors have when buying off-the-shelf publicly traded stocks. Shareholders of publicly traded securities rarely, if ever, get treated any different than that of consumer/customers within the B2C financial product lead generation and sales process. As such there may not be anything in the investors’ thoughts, feelings and beliefs that makes them behave any different than an ordinary customer. Be careful, it’s a perfect two-way street of commodity-based mind sets unless you change the context. Commodities are not special. Your SPOs/TICOs/BPOs are not as special as you might think them to be when seen through the eyes of investors who see themselves as “customers” and sponsors as undifferentiated product retailers. This Syndication-as-a-Product operating model is the model by default for the following sponsors using the following placement processes.

TABLE 4.9 PLACEMENT PROCESSES ALIGNED WITH SPONSOR/INVESTOR-CUSTOMER STRATEGY

STAGE	PLACEMENT PROCESS
Explorer Stage Sponsors	Direct Placement Sources/Strategies #1-3
Launch Stage	Direct Placement Sources/Strategies #1-6
Emerging Growth Stage	Direct Placement Sources/Strategies #1-14 Wholesale Placement Sources/Strategies #1-7

Some context is in order here since this Sponsor/Investor-Customer Relationship strategy includes the Wholesale Placement Sources/Strategies. Here are some safe planning assumptions when thinking about pulling the trigger for the first time on any of the Wholesale Placement Sources/Strategies without any prior experience, contacts or presence in the FINRA market.

- Capex of \$100,000 – \$200,000-plus will be spent before you see your first investor check coming from FINRA broker-dealers.
- 12-24 months will be needed before your \$100,000 – \$200,000-plus generates your first selling agreements with FINRA broker-dealers and

investor checks from the clients of registered reps.

- 10-20 SPOs or TICOs successfully funded with at least half of these offerings' properties having gone full cycle with oversized investor returns.

There are a few exceptional circumstances to the above planning assumptions. This occurs when a deeply experienced team of founders launches their sponsor business when:

- It is the bottom of a recessionary cycle (see Chapter 1, Table 1.2)
- The founders score high on:



Player Power (see Chapter 7)



Place Power (see Chapter 8)



Category Power (see Chapter 9)

Level 2 Services

Maintenance Services. Any services that organically support standard offers/benefits for investor-customers.

Data-Handshake Services. These services are powered by online technologies. Their primary purpose is to enable the first contact between a sponsor and an investor-customer. These capabilities also enable the rest of the Level 2 services.

Information/Data Services. These are services designed to help augment the value investor-customers get from their use of data-based insights and other data-related activities. Your information services might add data into your investor-customer database or maintain the currency of the data that's already in there. The main objective of these services is to improve investor-customer's own data and insights by offering tools or supplemental data that has been aggregated by the sponsor.

In the Appendix, a full menu of online and offline Placement Processes tactics (75) and tools (42) will be provided. These tactics and tools will complement this second Sponsor/Investor Relationship strategy and the fourteen Direct Placement Sources/Strategies, the seven Wholesale Placement Sources/Strategies and the five Corporate Finance Sources/Strategies (see Table 4.2).

Level 3

Sponsor/Investor-Partner Relationship

Level 3 of your Sponsor/Investor Relationship strategy framework is used by Early Stage and Emerging Growth Stage sponsors when syndicating a property with a conventional multi-investor approach is, for one or several reasons, not practical. The scenarios when this is the case are too wide and deep to explain here due to length of book constraints. Here is the general rule. Your company should think about joint venturing a project when your “pool of investor-candidates” and/or “Finder-candidates” (Direct Placement Sources/ Strategies #1 and #2) are not within striking distance for a capital raise given the size or type of property and/ or the length of escrow constraints you’re facing.

Joint ventures are usually customized, one-off transactions. You can expect and should be prepared for deal terms to be tough even to the point of deal breaking demands. Take heart. If the project you found promises great investor returns then make the deal with your joint venture partners, who have all the capital through their own resources or through their investor base and move on. This deal will be part of your track record and if this joint venture partner is satisfied with property performance, you never know what great opportunities your sponsor firm will be introduced to in the future from this joint venture partner.

This kind of operation strategy is called the “Syndication-as-a-Project” strategy. Sponsors look for three kinds of joint venture partner candidates:

- **One-Off Deal Joint Venture Partner.** The first category of joint venture partner is ultra-affluent investors. So affluent that theoretically speaking one of these ultra-affluent investors can be the sole investor in an SPO. The entire context of this kind of capital raising is “project” based, thus the name Syndication-as-a-Project. As a rule, Early Stage sponsors that depend on one investor are forced into one of two scenarios. First, the sponsor may be forced by the investor to reduce the sponsors normal property acquisition fees, maybe reduce property management rights/fees, a reduced disposition fee on property resale and/or a reduced property refinance fee (when the single investor decides). In the second scenario the investor negotiates hard and wants the sponsor to be happy enough with a brokerage fee for acquisition efforts, a “thank you” and not much else. Not even a guaranteed listing on the back end. Maybe your next project with this same partner, if it liked the first project with you, will leave “more on the table” for your firm.

- **Multi-Deal Joint Venture Partner and/or Long Term Client.** In this kind of joint venture, the same kind of ultra-affluent investor “takes down the whole deal” but this time the investor is very interested in becoming a long-term “client” even if the investor has to “fit in” with the sponsor’s standard SPO, TICO, or BPO multi-investor structure. The story in Chapter 3 about the Sperry Equities’ investor luncheon is a powerful example of this scenario.
- **One-Off or Multi-Deal Joint Venture with Another Sponsor Who Raises Most or All of the Investor Capital.** The third kind of investor in this Sponsor/Investor-Partner strategy is another sponsor who controls the “capital raising” and your firm controls most or all of the Property Processes. You will note in Table 4.2 under Direct Placement Sources/Strategies that the third Direct Placement Source/Strategy is labeled “Other Sponsors JV Processes.” At first blush you might be thinking that an Early Stage sponsor might have a difficult time finding another syndicator within the context of the following circumstances:
 - o Another sponsor with a property acquisition strategy whereby your company’s own Property Processes complements their current year’s property acquisition goals and
 - o This other sponsor is overly impressed that your Property Processes are different, better or geographically different than their own and
 - o This other sponsor is willing to create a joint venture with you on terms that provide your firm with property acquisition fees, property management fees, disposition fees and some profit participation rights and
 - o Your company is prepared to let this other sponsor be either the sole sponsor of the project your firm has found or become a co-manager with you. Expect your capital raising partner to control most financing and operation decisions. If your company is hired to be the property manager be prepared for high KPI standards, strict accountability and easy “take-over” rights.

Finding joint-venture partners who will raise the capital and your firm finds and manages the project will hinge on one or more of the above four circumstances being in play. And the chances for your company to succeed with this Sponsor/Investor-Partner Relationship Strategy always begins on the strength of your Core Strategy (see Part II) and your reputation.

Level 3 Services

The following service categories align with Level 3.

Maintenance Services. Any programs offered a joint venture partner that has minimal expectations from your company.

Information/Data Services. These are systems or programs designed to help augment the value JV partners get from their use of data-based insights and other data-related activities you provide. Your information services might add data into your partners database or maintain the currency of the data that's already in there. The main objective of these services is to improve your communications with a JV partner.

In the Appendices, a full menu of online and offline Placement Processes tactics and tools will be provided. These tactics (75) and tools (42) will complement this third Sponsor/Investor Relationship strategy and the fourteen Direct Placement Sources/Strategies, the seven Wholesale Placement Sources/Strategies and the five Corporate Finance Sources/Strategies.

Level 4

Sponsor/Investor-Client Relationship

This is the sponsor's last relationship category with investors. The goal of the sponsor is to do whatever is necessary to gain the loyalty of rising affluent and ultra-affluent investors. This loyalty is shown by investor-clients who have the potential to invest, reinvest and 1031 exchange many millions of their investment capital via your SPOs/TICOs/BPOs over a long-term period.

Helpful analogies are all around. Lawyer-client, doctor-patient, consultant-client, broker-client, art dealer-client and many others. Generalizing this concept of the Sponsor/Investor-Client Relationship starts when you think about your business as a B2B provider. The B2B context involves a business providing or supplying another business with a tangible product/device and/or services and/or both products with attached necessary services. Clients, historically speaking, get more, different and better services than customers get. Another distinction between customers and clients is drawn from the nature/characteristics of a sponsor's delivery/operating model. When your investors are on the end of routine or automated delivery/operating "systems" then your investors are, more likely than not, going to believe your efficient and effective, thus "feeling" safe to be your customer. That's "good" but to become "great" your investors have to have

special and highly customizable “programs” on top of reliable “systems.” Think of your investors as if each one is a business. We are not talking about the context when investors throw less than \$100,000 your way. No. When “rising affluent” and “ultra-affluent” investors come to the table with wallets and minds wide open to become, over an indefinite long term, part of your elite “client” roster than showcase your “client programs.”

When you view your investors and intermediaries as “clients” all your Direct Placement and Wholesale Placement Sources/Strategies become wide open for program-based innovation. The “innovation premium” discussed in Chapter 2 can be shaped and controlled by your company.

Level 4 Value-Add Services

The following value add service/function categories align with Level 4. A majority of these services will be “programs” not “systems.” To the extent the following services are systems, the goal of the aggressive sponsor should be to consider the systems as core and proprietary assets capable of intellectual property protection, such as trade names, trademarks, patents, and trade secrets.

Maintenance services. Any service/functionality offered to investor-clients that organically supports standard investor-clients offers/benefits.

Data Hand-shake services. Any online technology systems that connect your company with its “clients.”

Information/data services. These are programs or systems designed to help augment the value “clients” get from your information/data resources. Your data might be adding data to your client’s own data resources (including other advisors) that are part of their wealth building efforts.

Implementation services. Any service/functionality provided investor-clients that help investor-clients select and execute other client-based programs described below.

Adoption services. These are programs designed to help investor-clients maximize their usage of technical capabilities. These “success” services involve investor- client analytics, adoption monitoring, intervention and intelligent future provisioning.

Operate/manage services. These are programs designed to help investor-clients off-load to your company any number of real estate analytic functions. Your programs will interface with your investor-clients’ other professional service providers such as wealth advisors, lawyers, and accountants.

Consumption analytic services. These are programs your company designs that include reports, alerts for metrics, scores and KPIs combined with data reduction and client segmentation techniques.

Recommendation services. These are programs built by your company that help clients predict the timing and technologies to use that enhance their journey forward with real estate wealth building. Much of these recommendation services can be the same kind family office executives use.

In the Appendices, a full menu of online and offline Placement Processes tactics (75) and tools (42) will be provided. These tactics and tools will complement this fourth Sponsor/Investor Relationship strategy and the fourteen Direct Placement Sources/Strategies, the seven Wholesale Placement Sources/Strategies and the five Corporate Finance Sources/Strategies.

EIGHT ZONES OF THE INVESTOR FUNNEL

This framework helps your company to organize its online and offline investor marketing and sales campaigns. The popular “investor funnel” model does a good job of depicting the investors’ sequential contacts with your company. Like any relationship-based funneling model your goal is to grow and increase the number of investor-candidates in each zone. Figure 4.3 depicts our Eight Zone Investor Funnel. Each zone represents a separate “state-of-awareness” between you and your investor candidates.

CONTINUE TO NEXT PAGE

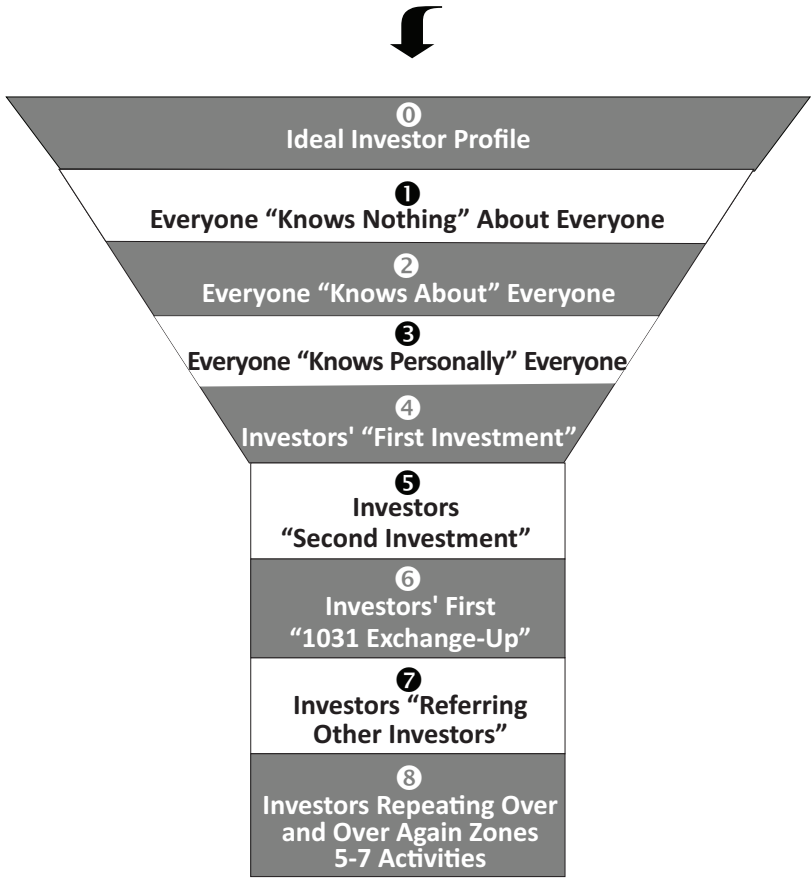


FIGURE 4.3 EIGHT ZONES OF THE INVESTOR FUNNEL

Zone 0: Ideal Investor Profile

This zone represents the time you invest in the design of your “ideal investor profile.” The ultimate goals are the following:

- Your Project Category Power creation work (Chapter 9) is so well done that your company truly has a wide separation between you and your two or three comparison companies.
- This separation literally means that any investor=member, customer, partner or client is, by investing in your SPOs, TICO or BPOs, taking a leap of faith. This faith part arises because your company’s real estate niche (the new Project Category Power story) is so very new and unique.
- By investing in your Early Stage company’s SPOs, TICOs or BPOs, investors are as bold and innovative as your company. These investors

are as much a “dreamer” or “optimist” as you are. When these kind of circumstances play out, you have the opportunity to optimize your Placement Processes Sources/Strategies, tactics and tools by targeting investor candidates most in alignment with your innovative Project Category Power story (see Chapter 9). A solid capital marketing communication playbook would have a design that follows a widely recognized investor adoption framework. This framework is called the Innovation Adoption Cycle. Figure 4.4 depicts the Investor’s Innovation Adoption Cycle in parallel with adoption profile of tenant/users.

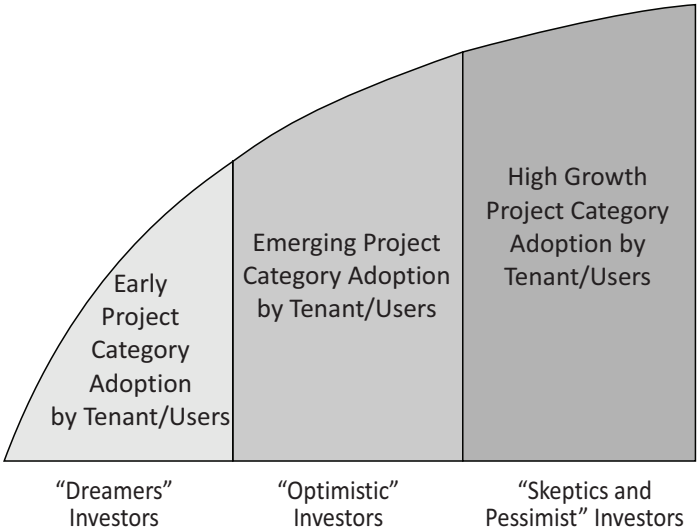


FIGURE 4.4 INVESTOR’S INNOVATION ADOPTION CYCLE

Zone 1: Everyone “Knows Nothing” About Everyone

This first “state of awareness” represents the time and space when, regardless of what you call your pool of potential investors, and no matter how well you may have developed your “ideal investor profile,” yet investors have no knowledge about your company. On the flip side you have no knowledge of anyone particular within the pool. They may recognize your name from somewhere else but if they were asked if they knew anything about you their answer would be “no.” However, you generate your “prospect lists” these prospects simply don’t know anything about you-even your name. The trick of course is to broadcast or narrowcast your first marketing efforts in Zone 1.

Zone 2: Everyone “Knows About” Everyone

The second “state of awareness” is when investors take action to know about your firm and/or about one of your SPOs. The most common signal today that tags someone a “hot lead” is their “request for information” made online at your website or offline a direct mail or phone call to your office. This online autofill or manually captured category of “hot leads” is one of Syndication 3.0’s great opportunities. Thanks go out to the internet, social media and to the Jobs Act (legislation allowing Reg D 506(c) crowdsourcing/crowdfunding). What these “hot leads” learn about your firm and what your firm can learn about them is in your hands. This is often referred to as the “data-handshake” between a lead and your firm exchanging information. This online data handshake is here to stay. The key is to complement online data handshakes with follow-up offline “personal handshakes” with as many investors that fit your Ideal Investor Profile as possible.

Zone 3: Everyone “Knows Everyone Personally”

Your third “state of awareness” is called Everyone “Knows Everyone Personally.” During Syndication 2.0 sponsors made a good science out of developing skills and resources to scale-up their offline personal handshake with “hot leads.” We have the Certified Financial Planning and the FINRA broker-dealer communities to thank. This scaling mechanism was and is called the Wholesale Placement Process.

Zone 4: Investors’ “First Investment”

The fourth “state of awareness” is labeled the “investor’s first investment” zone. The “acquisition of investors” funnel your firm has used so far now pays off. Obviously your firm has done enough things right. Investors like what they have read and/or listened to, and they “feel” that you’re trustworthy. Once an investor signs its first subscription agreement for an SPO, your relationship takes on “customer” protocol or “partner” protocol or “client” protocol. The kind of Sponsor/Investor Relationship strategy you choose will be your call.

Zone 5: Investors “Second Investment”

Regardless of their declared relationship type as member, customer, partner or client your natural act should be to make a call to action (“CTA”) to your first-time investors, namely “invest again—here’s our next SPO’s PPM for your

consideration.” Why should first-time investors roll the dice again so soon? There are several reasons:

- They really like you. You’re the real deal—transparent, authentic, truthful and on-time with promised reports. If they declared themselves a “client” you can assume you have been delivering on both the intangible and tangible elements of your firm’s client tactics.
- They have from the time you approached them considered your “investment right of first refusal” benefits to be worth something.
- Your SPO portfolio’s financial statements (that have not gone full cycle). Here the aim is to have a track record reflect on a deal-by-deal basis a profit/loss report that shows projected vs actual results.
- Your SPO portfolio’s appreciated values and annual percentage gain.
- Your SPO portfolio’s cash reserves through:
 - o Retained earnings (without distributions)
 - o Retained earnings (even with distributions)
- Your firm might be doing a round of sponsor capital raising for working capital and/or expansion purposes. One good technique is to grant warrants to purchase sponsor capital stock to the investors in your Early Stage SPOs.

Zone 6: Investors’ First “1031 Exchange-Up”

This critical zone of your “state of awareness” is the zone your Early Stage or Emerging Growth Stage company relies on the most to pick up momentum and gain track record where it counts the most—portfolio power of your company (see Part II). There are four ways to calculate portfolio power:

- Full cycle SPO profits with manager participation interest accounted for. This tactic is the motherlode of all portfolio power tactics.
- SPOs that have not gone full cycle. Here the aim is to have track record reports reflect on a deal-by-deal basis a profit/loss report that shows projected vs actual differences. Forecast conservatively so you can show actual results even higher than projected results.
- SPO’s appreciated values and annual percentage gain.
- SPO’s cash reserves through:
 - o Retained earnings (without distributions)
 - o Retained earnings (even with distributions)

Zone 7: Investors “Referring Other Investors”

As a consequence of your investors’ increased trust in your company they will voluntarily, or at your nudge, begin referring new investors to you. Their friends and family for sure. Should you offer to pay them a finder’s fee or a referral fee? The topic of finders’ fees will be explored later.

Zone 8: Investors Repeating Over and Over Again Zones 5-7 Activities

Your last zone of the “state of awareness” is the enviable state of your investment partners, customers or clients repeating the same behavior described in Zones 5-7—invest, 1031 exchange-up and refer other investors over and over again.

BRAND POWER AND YOUR SEVEN VOICES

In our last Chapter I shared the story of Jack Carrol, a co-founder of Sperry Equities and the president of Sperry Equities’ property management division. Jack, if you recall, gave a presentation at Sperry Equity’s annual investor luncheon. His “how we transform and manage property” speech fascinated me. More importantly, his presentation was fascinating enough to cast an irresistible spell on a group of foreign investors in attendance. These investors were soon writing eight-figure checks.

Branding power and the role of “fascination” is the focus of this section. The idea behind the value for a sponsor to take seriously and soon the art of branding cannot be ignored. Branding is a “process” as well as “result.” The result of proper branding is the “spell of differentiation” you want your story to cast on your four stakeholders- shareholders, tenant/users, SPO/TICO/BPO investors and lenders. This “differentiation” is what you want your stakeholders to associate as the cause of their short term and long-term real estate wealth building with your company. Keep in mind that selling real estate securities is a “push” and not a “pull” process. As such, the sponsor has to be creative and bold.

The Science of Fascination

By now we are all conditioned to the reality that everyone is experiencing information overload. Getting investors’ attention is tough and only getting tougher. Sponsors have to fight hard and play smart to win the “attention battles.” This can be a herculean task when your young syndication firm is in any of the following circumstances:

- If the real estate economic cycle is not in the recessionary phase of the cycle (the buyer's market).
- Any time you are seeking “rising affluent” or “ultra affluent” investors and asking them to write six-figure checks.

Your enemies are distraction, competition (other sponsors or the investors remaining in a DIY investment mode) and commoditization. These enemies can be defeated if you're willing to do what's necessary to “fascinate” your investor candidates. What we are talking about here is not winning the trust of new investors solely based on conventional “why invest in a real estate syndication?” pitch. This concept of fascination” goes beyond that.

Fascination is a higher bar. It is a state of mind and emotions. When someone is fascinated, he or she cannot resist a call to invest. You have to become a celebrity of sorts—a difference-maker in the mind's eye of your ideal investor candidates. To become fascinating the sponsor does not have to “change” who it is. The sponsor just has to “become more” of who it is. Who “you are” unfolds with great clarity when discovering, designing and developing your Core Strategy (Part II). For now, it is enough to know that your Core Strategy is your DNA, and this DNA has four parts or said another way, four elements of power beginning at the top with Player Power and ending with Company Power:



Player Power



Place Power



Category Power



Company Power

Your description of these four powers is your brand. It is not one element that defines who you are. It is four elements. These four powers will make or break your Early Stage and Emerging Growth Stage success/failure. This is why you have to nail your Core Strategy planning during your Explorer Stage of business building. Once you're in business during your Launch Stage, you're in the zone of first impressions and you don't get the opportunity to make a first impression twice. Your Core Strategy has to be fascinating to sophisticated ultra-affluent investors right out of the gate. Remember your investors are buying into the emotions, connotations, values and priorities of your brand—who you are—your Core Strategy. To repeat for emphasis, what we are talking about goes way

beyond the conventional messaging of “great time to be invested in real estate,” or “apartments are great now—low supply, low rents,” or “Southern California is a great area” just to name a few conventional messages.

Your Branding Algorithms—Core or Context?

Every aspect of your content (online and offline media) has to be aligned with your Core Strategy (your brand). To help you in this challenge I recommend the work of Sally Hogshead, author of *Fascinate: How to Make Your Brand Impossible to Resist*. Sally calls her work the “science of fascination.” She has developed a seven-part language framework that complements perfectly the four power elements of our Core Strategy hierarchy of power framework. Together you have a “shorthand story.” Table 4.10 summarizes Sally’s language and labeling strategies. Each strategy/part of her language framework has its own individual utility and impact on the sponsor’s goal of fascinating investor candidates.

TABLE 4.10 STRATEGIES OF BRANDING

BRANDING LANGUAGES	BRANDING SIGNALS	PILLARS OF IMPLEMENTATION
INNOVATION You change the game	Forward thinking, bold, surprisingly	<ul style="list-style-type: none">• Invent surprising solutions• Turn something old into new,• Or the opposite of status, or• Add a dose of vice
PASSION You create connections	Expensive, optimistic, sensory, warm, social	<ul style="list-style-type: none">• Woo with wow• Lust before logic• Strong/immediate emotion
POWER You are in command	Assertive, goal oriented, decisive, purposeful, opinionated	<ul style="list-style-type: none">• Lead the way• Take control• Pursue specific goals• Own your opinions of authority
PRESTIGE You earn respect	Ambitious results oriented, respected, aspirational, elite	<ul style="list-style-type: none">• Increase perceived value• Set a new standard• Develop emblems• Limited availability
TRUST You build loyalty with stability	Stable, dependable familiar, comforting, predictable	<ul style="list-style-type: none">• Repent and retell• Be authentic• Accelerate trust• Use familiar cues
MYSTIC You make people want to listen closely	Observant, calculated, private, curiosity provoking, substantive	<ul style="list-style-type: none">• Protect information• Spark curiosity• Build mythology
ALERT You watch over the details	Organized, detailed, efficient, precise, methodical, loves rules	<ul style="list-style-type: none">• Sweat the small stuff• Create urgency• Define consequences and deadlines• Use rational facts

To complement the seven voices of branding/strategies, Sally Hogshead offers a strong short list of tactics. We have integrated into Sally's generic menu of tactics within the following two contexts:

- The context of your four Property Processes. Remember, it is your Property Management, Property Transformation, Property Finance and Property Acquisition Processes that are your “crown jewels”—your differentiation on Property Processes that are “core” and not “context” with one exception—our next point.
- The context of the Sponsor/Investor-Client Relationship is so rare and special that it deserves to be included in your brand power tactics.

Innovation Tactics

- Highlight your Property Processes and your Sponsor/Investor-Client programs as new and revolutionary.
- Use humor, even irrelevance, in your communication material.
- Surprise your investor candidates with unusual analogies, bizarre stories, or new perspectives on real estate investing.
- Create unusual online and offline marketing material. Stand out from the competition with cutting-edge design in noteworthy language.

Passion Tactics

- Be enthusiastic and adopt emotion-rich language.
- Appeal to the senses with vivid words.
- Tell stories because stories connect and engage with investors.
- Use strong imagery to get to the heart and soul.

Power Tactics

- Being knowledgeable; share Property Processes and Sponsor/Investor-Client Relationship insights and ideas your investor candidates may not have considered before.
- Stay focused; avoid rambling on and wasting time.
- Be confident; have a firm message, with a clear, defined game plan. Speak to the confidence you build in your investors.

Prestige Tactics

- Develop top notch online and offline marketing material, use expensive-

looking paper, and pay attention to design details such as correct alignments of pictures and text.

- Ensure that your writing is impeccable; never dash off a quick e-mail, because spelling mistakes will surely be noticed.
- Promptly display all awards, ratings, and other third-party recognition so that the brand strategy is seen to the viewer as already highly regarded by others.
- Highlight superior Property Process and Sponsor/Investor-Client Relationship features and functions.

Trust Tactics

- Be consistent: use the same colors, fonts, and tone of voice across online and offline communication materials.
- Use analogies because they link something new to something investors are already familiar with. Avoid buzzwords and jargon.
- Highlight your company's and its principals' traditions.

Mystique Tactics

- Distill all online and offline marketing messages down to their essence.
- Do not spell out every detail in order to keep your declared "core" Property Processes and/or Sponsor/Investor-Client Relationship "secret sauce" a secret.
- Avoid oversharing and overexposure. Incite curiosity

Alert Tactics

- Focus on the data.
- Show investors how you test and retest your Property Processes.
- Give a step-by-step plan of how you'll follow through on delivery.
- Outline in depth information about one particular "core" element of your Property Processes and/or Sponsor/Investor-Client Relationship program.

Arguably, raising capital is the Early Stage sponsor's biggest challenge. There are exceptions to this generalization. Ironically how and where you raise capital, as a rule, doesn't matter to investors. Since it doesn't matter to investors, your Placement Process Sources/Strategies are not the focus

or locus of your efforts to declare your “core” differentiations. The lone exceptions are crowdfunding portals deploying their Syndication-as-a-Platform (SaaS) OpS model for members and any sponsor deploying its Syndication-as-a-Service (SaaS) OpS model for investor/clients. Both of these Sponsor/Investor Relationship models offer investors something more than just great real estate opportunities. For young and growing sponsor companies (the kind this book focuses on) that raise capital from “customers”—Syndication-as-a-Product OpS model and/or from “partners”—Syndication-as-a-Project OpS model, their Property Processes and only these processes should be the sponsor company’s “core” assets of differentiation—the place where your scarce corporate capital and hopefully excellent capabilities are laser focused upon.

Regardless of the type of your targeted Sponsor/Investor Relationship, your company will have to rely on a strong and compelling Core Strategy—all four elements.

PLACEMENT PROCESSES BUDGETING FORMULA

The old adage that “it takes money to make money” can be one of your valuable axioms. Many sponsors will organize and raise capital for their Early Stage and Emerging Growth Stage SPOs, TICOs, and even BPOs using their own capital and resources. They don’t from the “get-go” structure their offerings with organizational and offering fees/reimbursements. These O and O fees/reimbursements should be collectively 3-8% of capital raised. One consequence of this “sponsor funds instead of offering funds” Placement Process strategy is the aspiring sponsor never has enough opex or capex to execute aggressively on any of the Direct Placement and/or Wholesale Placement Processes Sources/Strategies. So, growth slows, great deals are missed and sponsor profits vanish. In short, the critical momentum the sponsor needs to generate is hijacked by a lack of opex and capex to fund the critical and continuing Placement Processes. Your capital raising is like a beast that never stops eating.

What sponsors learn sometimes during their Emerging Growth Stage is the players in the Wholesale Placement Processes expect that the offerings they fund will pay these Wholesale Placement players (broker dealers, wholesalers, due diligence firms and family office managers) from offering proceeds, not

sponsors opex or capex. The axiom for Early and Emerging Growth Stage sponsors struggling to speed-up SPO, TICO capital raising is the following:

“Every offering should structure O and O and allocate 3-8% of capital raised for O and O and pay it to the sponsor.”

Let the attorneys decide and design the PPM language for these organizational and offering expenses.

Your annual sponsor company budget will show an organizational reimbursement line and offering reimbursement line. If your company plans to raise \$10 million for the year in order to sponsor three offerings, then your company will have \$300,000-\$500,000 of added income. This income should be spent on your aggressive tactics and tools for the Direct Placement and/or Wholesale Placement Processes you choose to use throughout the year.

The common refrain proffered by Early Stage sponsors is the projected rate of return from a project will not be high enough if 3-8% of the equity capital needed to acquire projects is expensed out up front to the sponsor for O and O. This segues into another axiom:

“If a project’s rate of return is so marginalized by an increase of 3-8% of equity capital raised, then the project is too thin to be syndicated in the first place.”

Remember, this is not a 3 - 8% increase based on the property’s price—only an increase to the capital raised.

Syndication Data Science

The field of data science offers inspiration and starting resources for syndication data science. This kind of data science (including AI and analytics) can impact every function of property processes. However, the “killer” application of syndication data science will be to optimize direct Placement Processes Sources/Strategies #1 - 6. #10, #12, #13 and #14.

CASE EXAMPLE

Contractor becomes syndicator with capital raising by out-of-state sponsor

One of my all-time favorite clients and friends is Bill Morgan, and his two sons,

Chase and Lance Morgan. Bill, the patriarch of this family business, started off as a licensed contractor in Visalia, California. Visalia is located in the northern section of the California farm-belt—the San Joaquin Valley. Besides being in the building industry, Bill and his company—Morgan Enterprises—was active in the farming business which is the main industry in Visalia. After 10 or so years, Morgan Enterprises had gained credibility and momentum in both disciplines of construction and farming. Bill's first moves as a syndicator were in the commercial and residential new-construction sector of Visalia and its neighboring cities/areas. To get his track record going, Bill partnered with another syndicator, Holt Homes of Portland Oregon. Holt Homes' president was another friend and client, Greg Kubicek. Wanting to expand Holt Homes's footprint beyond Portland, Greg investigated the marketplace in and around Visalia. Quickly Greg was steered to Morgan Enterprises. Greg's firm was an accomplished syndicator for over 10 years, relying on Direct Placement Sources/Strategies #1, #2, #3, #4, #5 and #10. Greg's meta-business model was the Development Sponsor Model (see Chapter 1). Morgan Enterprises (the real estate team) and Holt Homes (the capital raising team) served as co-managers on residential and commercial development projects spanning 10 years. In 2010, Greg Kubicek leaned almost exclusively on Direct Placement Sources/Strategies #12 (other private equity funds) as his source of capital.

At the same time, Morgan Enterprises syndicated agricultural projects. Bill relied on Direct Placement Sources/Strategies #2 (Finders' Process), #3 (other sponsors or single investors) and #13 (Foreign Investor Processes). In these single investor-member syndications, Morgan Enterprises maintained manager compensation formulas like any other sponsor syndicating projects with multi-investor syndications. Once again, the Power of Place and "backyard economics" provided Morgan Enterprises the clout and credibility it needed for attracting ultra-affluent individuals and institutional investors, often with these individuals and institutional partners as the sole investor. Impressively, Morgan Enterprises maintained its compensation formulas it was accustomed to in the Holt/Morgan multi-investor syndications. In all these syndications, it was Morgan Enterprises' "backyard economics" strength that sold these large investors on Morgan Enterprises and its geographical area—Visalia, California. As of January 2025, Morgan Enterprises continues to syndicate residential, commercial and agricultural properties with SPOs. In the planning stages is Morgan Enterprises first BPO with institutional investors.

Worksheets

The following worksheets are useful for a fast scan of the Direct and Wholesale Placement Sources/Strategies. The data and database resources necessary for each Source/Strategy is indicated in the third column.

WORKSHEET		
Direct Placement Processes		
(use with textbook-Syndication Strategy)		
Sources		
Strategies	High Points	Databases
1. Friends and Family	Be aggressive, offer Finders Comp, skin-in the game, look up old friends.	Personal Customized
2. Finders	1-5% fee, state compliance brokers, vendors. Make Finders part of exec team with employment agreement if necessary.	Personal Customized
3. Other Sponsor JVs	Find out-of-state/area sponsors looking for properties in your "PLACE" and they raise your capital.	Real Estate Database (CoStar)
4. 506(c) offline engine	Investor dinner seminar engine. Narrowcast and broadcast media. Find wealthy investors transitioning out of active sole ownership to passive syndication investing. Strong customer sales/support/CRM.	Specialized Vendors, (Leading Response) (CoStar)
5. RIAs-no broker-dealer license	Solicit RIAs in your area, dinner seminars for RIAs' investors. Secure independent due diligence report. Strong intermediary customer sales/support/CRM.	SEC licensed RIA lists (see internet for list vendor)
6. 506(c) online engine	Website, data handshake, narrowcast and broadcast social media. Capture mechanism to support #3 and #4. Strong customer sales/support/CRM.	Website data handshake names
7. Online for Delaware Statutory Trusts	Participate in DST market with DST Fund. Feasible for High Growth Stage sponsors. Strong customer sales/support/CRM/email marketing.	Databases #4, #5, #6
8. Crowdfunding Portals	Secure selling agreement. Need great track record. No guarantees for future selling agreement. Avoid putting all eggs in one basket. Strong customer sales/support/CM.	Only 3-4 Crowdfunding Portals worth the effort
9. DST 1031 Portals	Secure listing rights with DST Portal. RIITs normal vehicle. Strong customer sales/support/CRM.	DST Portal list (see internet)
10. Family Offices	Need great track record. Only fund SPOs, TICOs, single investor JVs. Independent due diligence report helpful. Strong customer sales/support/CRM.	Family office lists, clubs (see internet for list vendors)

11. Become your own Broker-Dealer with in-house sales team	A Syndication 2.0 strategy. A big effort but big rewards. Strong customer sales/support/CRM. Surest way into the broker/dealer community because you are one of their members.	Your in-house sales team needs prospect lists. Use vendor lists
12. Private Equity Funds	Find out-of-state/area Private Equity Funds looking for properties in your "PLACE" and they raise your capital.	See internet for Private Equity Firm lists
13. Foreign Investors	Use #2, #3, #4, #5 and #6. Align your Project Category Power story with foreign investors in same domains.	See internet for database vendors
14. Crypto Funds	Stay up to speed on new developments.	See internet for list sources

WORKSHEET		
Wholesale Placement Processes		
(use with textbook-Syndication Strategy)		
Sources Strategies	High Points	Databases
1. Hybrid RIAs-FINRA and SEC licensed	Maybe use in-house or outside wholesaler. Secure selling agreements. Build on top of Direct Placement offline (#4), RIA-only (#5) and online (#6). Strong customer sales/support/CRM.	RIA lists (see internet for list vendors)
2. Local Boutique FINRA broker dealers	Maybe use in-house or outside wholesaler. Secure selling agreements. Build on top of Direct Placement offline (#4), RIA-only (#5) and online (#6). Strong customer sales/support/CRM.	Broker Dealer lists
3. Regional FINRA Broker Dealers	Must have inhouse wholesaler. Secure selling agreements. Build on top of Direct Placement offline (#4), RIA-only (#5) and (#6) engines. Strong customer sales/support/CRM.	Broker Dealer lists
4. National FINRA Broker Dealers	Must have inhouse wholesaler. Secure selling agreements. Build on top of Direct Placement offline (#4), RIA-only (#5) and (#6) engines. Strong customer sales/support/CRM.	Broker Dealer lists
5. FINRA Registered Reps	Must have inhouse wholesaler. Secure selling agreements. Build on top of Direct Placement offline (#4), RIA-only (#5) and (#6) engines. Strong customer sales/support/CRM.	The Broker Dealers have their REG. REP. lists
6. Family Offices	Need great track record. Only fund SPOs, TICOs, single investor JVs. Strong customer sales/support/CRM.	Family Office lists
7. Crypto FINRA Brokers Dealers	Stay up to speed on new developments.	Crypto FINRA dealer lists