



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 KPI'S	PLACEMENT PROCESS UNIVERSAL KPI'S
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 Processes 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 Processes “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 as well as 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 eleven Placement Processes topics most important to Early Stage and Emerging Growth Stage sponsors. Our eleven 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
- Offerings Pay For Placement Processes
- Architecture for Direct Placement and Wholesale Placement Problem Shooting/Solving
- Universal Principles driving Direct Placement and Wholesale Placement Processes
- Direct Placement Platform 1.0—The Engine
- Direct Placement Platform 2.0
- Wholesale Placement Platform

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 	<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
<ol style="list-style-type: none"> 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 	<p>¹Corporate 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
<p>ULTRA-AFFLUENT Over 5m households in US</p>	<p>INCOME: \$400,000+/yr NET WORTH: over \$4m (not including residence equity)</p>
<p>RISING AFFLUENT Over 16m households in US</p>	<p>INCOME: \$200,000 /yr to \$400,000/yr NET WORTH: \$1m to \$4m (not including residence equity)</p>
<p>AFFLUENT Over 33m households in US</p>	<p>INCOME: \$100,000 /yr to \$200,000/yr NET WORTH: \$300,000 (including residence equity)</p>

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.

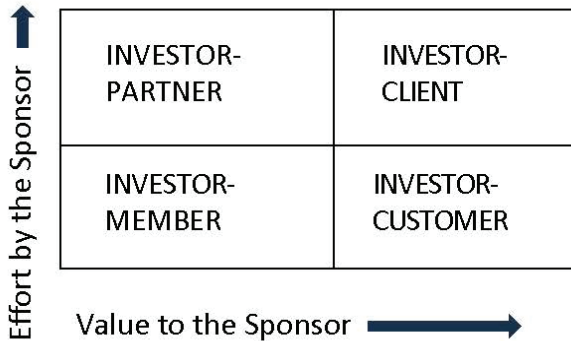


FIGURE 4.1 VALUE/EFFORT MATRIX

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 ¹ 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.

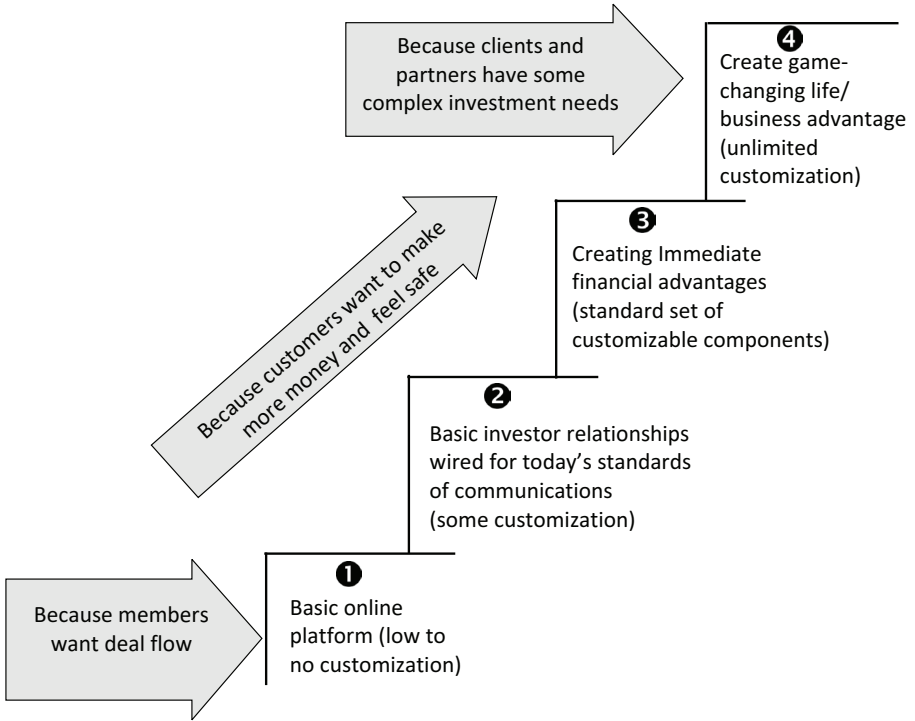


FIGURE 4.2 INVESTORS' STAIRWAY OF VALUE

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
Investment Range \$10,000 - \$100,000	Investment Range \$10,000 - \$100,000	Investment Range \$Million - \$10 Million per Deal	Investment Range \$Million - \$20 Million (AUM)
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
		<p>Success Science¹ Study behind investor success processes: skills, metrics, technologies</p>	

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 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 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 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 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.

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 and tools will be provided. These tactics (75) and tools (42) 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.

Later in this chapter, beginning with the section titled “Offerings Pay for Placement Processes” this Eight Zone Investor Funnel will provide a useful context. This contextual framework is a reality check and the guardrails, if you will, when developing your Direct Placement Platform 1.0, 2.0 and Wholesale Placement Platforms. The “state of awareness” between you and your investor candidates can be measured. This measurement process drives the logic and logistics of the Eight Zones of the Investor Funnel. And to this funnel we shall now turn.

The last page of our textbook (page 438) reviews four “must have” resources offered by my law firm—Syndication Law Group (“SLG”). These four resources were developed to complement your Placement Processes and your tactics and tools (see Appendices).

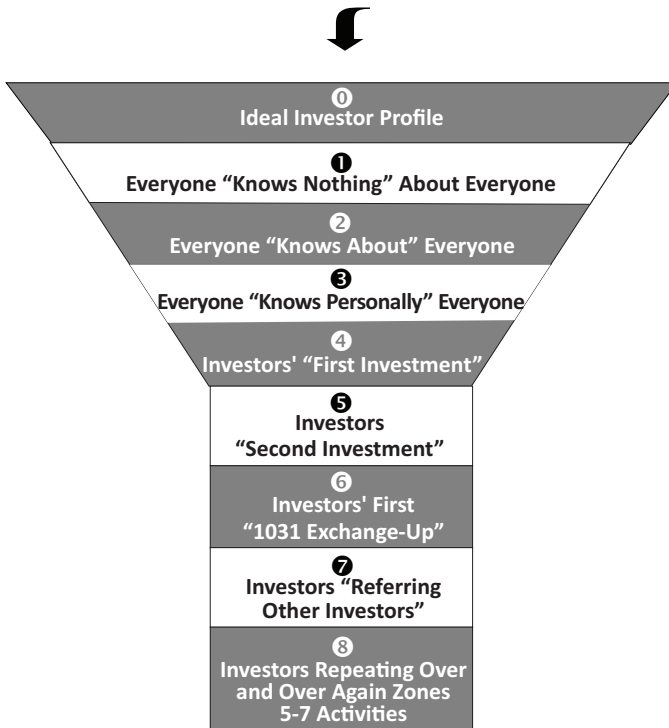


FIGURE 4.3 EIGHT ZONES OF THE INVESTOR FUNNEL

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.

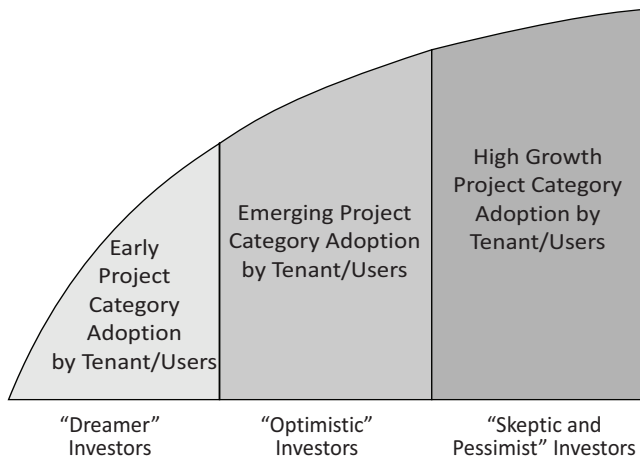


FIGURE 4.4 INVESTOR'S INNOVATION ADOPTION CYCLE

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:
 - Retained earnings (without distributions)
 - 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 Hogshhead 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 (SaaP) OpS model for "investor-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 your targeted Sponsor/Investor Relationship model, your company will have to rely on a strong and compelling Core Strategy—all four elements.

So far this chapter has focused on the building blocks that make up our body of knowledge concerning the principles and practices of Early and Emerging Growth syndication capital raising. Going forward our chapter will build-off these building blocks and focus now on the best practice principles, practices and processes that should be in play when following the next axiom:

Placement Processes Sources/Strategies remain mere plans until the right principles, practices and processes for the selected Sources/Strategies are developed and deployed.

This axiom above drives our chapters' last topics

- Offerings Pay For Placement Processes
- Architecture for Direct Placement and Wholesale Placement Problem Shooting/Solving
- Universal Principles driving Direct Placement and Wholesale Placement Processes

- Direct Placement Platform 1.0—The Engine
- Direct Placement Platform 2.0
- Wholesale Placement Platform

OFFERINGS PAY FOR PLACEMENT PROCESSES

Your capital raising is like a beast that never stops eating. You have to feed it all the time. For our purposes, this means developing a capital raising engine that functions 24/7. Building this engine begins with recognizing the old adage that “it takes money to make money” and if the engine is on 24/7, we know the engine is the website and its functionalities. 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 to get the job done. The most common group doing this are real estate brokers and developers who have always used their own resources to finance the processes of raising capital. These brokers and developers, generally speaking, don’t from the “get-go” structure their offerings with organizational and offering fees/reimbursements. These O and O fees/reimbursements should be collectively 2 - 4% of capital raised. One negative consequence of this “sponsor funds instead of offering funds” mindset is the aspiring sponsor may never have 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 growth (doing more offerings) vanish. In short, the critical momentum the sponsor needs to generate for it’s own growth, is hijacked by a lack of opex and capex to fund the critical and continuing Placement Processes for new offerings.

Direct Placement O and O

Let the attorneys decide and design the PPM language for these organizational and offering expenses. Your annual company budget will show

two new sources of income—an organizational reimbursement line and offering reimbursement line. Here’s an example. If your company plans to raise \$10 million for the year through Direct Placement Processes in order to sponsor three offerings, then your company will have an O and O of \$200,000 - \$400,000 of added income. This income should be spent on your aggressive tactics/tools for the Direct Placement Sources/Strategies you select to use throughout the year.

The Hidden Goldmine

Don’t overlook the fact that you only have to spend money once to acquire an investor. Solid sponsors are able to keep their investors for repeat investments, reinvestments, 1031 exchanges and capital calls for “tough time” properties. When the original cost of “investor acquisition” is amortized over 4 - 6 investment transactions with the same original investor, the real cost of “investor acquisition” is incredibly low. The best money your company will ever spend. To repeat for emphasis, the first time an investor invests the O and O on that first offering reimburses your company anyway.

Wholesale Placement Front-End Load

In addition to or in lieu of your Direct Placement Processes, your company might decide to use the Wholesale Placement Processes to raise capital. In order to pay for the distribution costs/fees when deploying the Wholesale Placement Sources/Strategies, the FINRA industry expects sponsors to increase again the amount of capital you are raising in your offerings. This time your offerings’ capital has to increase for broker-dealer due diligence and unallocated expenses (3% - 5%). In addition the registered reps who hang their securities license with a broker-dealer (salespeople, financial planners, wealth advisors or RIAs with FINRA licenses) will be expecting securities commissions in the range of 5% to 10% of the capital they raise. The common refrain proffered by Early Stage sponsors is the projected rate of return from a project will not be

high enough if 2 - 4% of the equity capital needed to acquire projects is expensed-out up front for the sponsor's O and O. The reluctance to pay another 3-5% for broker dealer fees and another 5 - 10% for registered rep securities commissions is very strong among sponsors. The resistance is natural, especially for young sponsor companies with a long Legacy Stage of real estate brokerage, property management or development. But this is the game you're in. Pay to play. Some sponsors who start syndicating with an O and O structure will abandon these O and O fees/reimbursements when the sponsor begins using Wholesale Placement Processes. This segues into another axiom:

If a project's rate of return is so marginalized by an increase of equity capital raised for O and O and/or for broker-dealer/registered rep fees and commissions then the project is too thin to be syndicated in the first place.

Architecture For Direct Placement and Wholesale Placement Problem Shooting/Solving

Table 4.2 depicts the 14 Direct Placement Sources/Strategies and the 7 Wholesale Placement Sources/Strategies. Chapter 6 (Core Roadmap) will provide us a hypothetical roadmap. This Core Roadmap identifies the number of SPOs to be organized and number of properties to be sold in order to cross the three chasms of the Sponsor Growth Stage framework (see Chapter 1). Explaining the in's and out's of Direct Placement and Wholesale Placement can become a complex and overlapping analysis real fast. It becomes more complex when we factor in decisions about what tactics/tools should be incorporated with the Direct Placement and Wholesale Placement Sources/Strategies.

To bring some measure of simplicity one might use the Vantage Points Ladder first introduced in Chapter 1. Figure 4.5 depicts this problem solving hierarchy mechanism again. This model recognizes that a problem/challenge on any one of the 6 levels will likely be solved

on one or more of the levels above the level where the problem was originally created. For example, if some capital raising tactics or tools you have chosen to develop are, during deployment, failing to accomplish the goal of the tactic/tool then to fix the situation the next level above, namely Sources/Strategies will be the next place to look for solutions. Eventually, capital raising solutions may only exist in the top rung—Core Strategy.

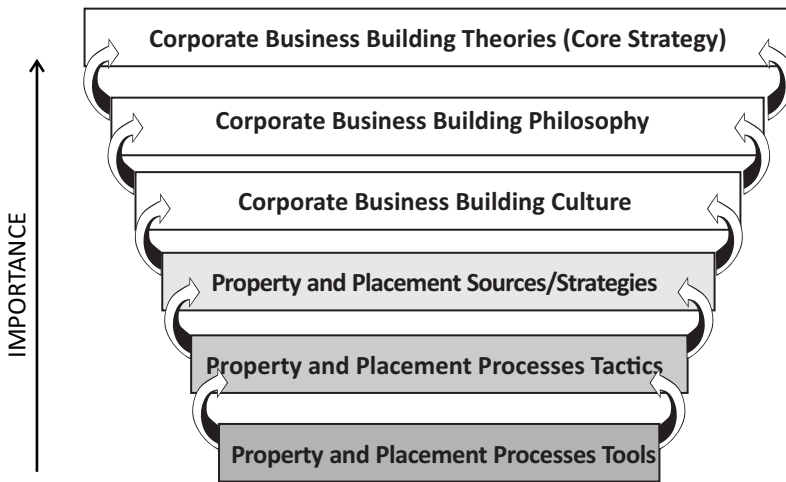


FIGURE 4.5 VANTAGE POINTS LADDER

UNIVERSAL PRINCIPLES DRIVING DIRECT AND WHOLESALE PLACEMENT PROCESSES

Ten Universal Principles drive both Direct Placement and Wholesale Placement Processes. At the end of each Universal Principle is a self-appraisal with three possible answers. This exercise is intended to provide you with a current-state look-in-the-mirror. Both your mindset (“will”) and your methods (“way”) are up for assessment. Rigorous honesty is the recommendation.

Universal Principle #1: Common Language Cornerstone

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 assigning responsibilities for your Placement Processes. Exponential capital raising is not achieved accidentally or by luck. It begins with design and great design begins with good classification schemas and models.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A	B	C
Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

Universal Principle #2: Spending Money You Don’t Have

The Early Stage sponsor has to get over the fear that it may not be successful in raising capital for its Explorer Stage and Launch Stage offerings. Here’s why. Syndication best practices call for the sponsor to spend money before the sponsor makes money. The Early Stage sponsor has to believe in itself in order to place the bets on a repeat basis for its syndication business. The biggest bets will be property acquisition overhead, earnest money deposits, professional service fees, lender fees and all the overhead for Placement Processes. Of course, when a sponsor’s SPO is funded, when the property qualifies for its loan, and when escrow is ready to close then the first checks the sponsor writes from the SPO’s checking account are checks to itself for reimbursements for these SPO front-end costs. Don’t forget the hidden goldmine (see earlier explanation above).

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A	B	C
Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

Universal Principle #3: Your Core Strategy Story is The Precursor

In Part II-Core Strategy, four of the six chapters will cover all the terrain necessary for your company to design a compelling, or if you will, a fascinating Core Strategy story/brand. This story-making will fuse the 4 power elements of your Core Strategy, namely Player Power, Place Power, Category Power and Company Power. **Next the sponsor has to put this Core Strategy story/brand design on steroids. You do this through words and pictures using the 7 Voices framework.** These last 2 sentences are bolded to drive home the “got-to-have” importance of designing a fascinating Core Strategy story/brand.

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A	B	C
Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

Universal Principle #4: Don’t Cherry Pick and Skin in The Game

When your goal is to build a syndication company, it is best to align your personal real estate investing with the sponsor meta-business model (Chapter 1: Sponsor Meta-Business Model) your syndication company elects to specialize in. Investors shy away from syndicators who syndicate

properties for fees and profit interests and yet make their bigger real estate fortunes happen with side deals that are not open for syndication investors. Related to this universal principal is the principle of investing in your syndications (“skin in the game”). How much is enough? For example, if you were raising institutional capital for a private equity fund, the placement agents and their institutional investor-clients would expect your firm (manager of the fund) to invest 3-5% of capital raised. I have many clients who invest upwards of 25-35% of the capital that is being raised in their SPOs, TICOs and BPOs. An acceptable number is 5% of capital raised.

A

Totally agree with the principle and we have the “will” and the “way” to put it in play now.

B

Principle makes sense but our current “will” and/or “way” prevents our implementation now.

C

Our circumstances are unique—therefore the principle doesn’t apply to us now.

Universal Principle #5: Your Elevator Pitch

Two to four slides of your pitch deck is all the space you need for your Core Strategy story. Some people call this short burst of messaging your “elevator pitch.” A theatrical analogy would be the movie Jerry Maguire. In one scene, Jerry (played by Tom Cruise) is flirting and babbling on with Dorothy (played by Rene Zellweger) trying to win her affection and trust when she interrupts Jerry and says “you had me at hello.” Your version of “hello” might be a few more words—but only a few. Whether in an elevator ride, pitch deck, web site home page or any other medium your Core Strategy has to be fascinating—be different. Remember, it will be dreamer and optimistic investors who will be brave and eager enough to invest in your Early Stage or Emerging Growth Stage SPOs. These investors have made their money running and driving their lives and businesses as dreamers and optimists. Here’s some context to remember: this book was written for sponsors that want or need to go

outside the conventional real estate syndication sales pitch. Conventional sales pitches are targeted to first time or smaller sceptic or pessimist investors where alternative investment allocation principles, syndication investment fundamentals and real estate economic cycle timing is the central or only rationales for syndication investing. Chapter 9 will cover the got-to-have topics of the three Category Power scenarios where most of the prescriptions and predictions are far outside conventional syndication messaging.

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Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

Universal Principle #6: Get Everybody Talking

Networks, viral marketing, social media and influencers drive consumer product and off-the-shelf low capital and low risk financial product marketing. Can these same forces drive your online and offline high capital, high risk alternative asset class capital raising? Yes. The goal for Early Stage and Emerging Growth Stage sponsors is to assemble a critical mass of the right kind of people who “know about” (“Zone 2”) and (“know personally”) (“Zone 3”) the sponsor. Your Investor Funnel (Figure 4.3) is like a water faucet. You can turn it on or off. You can turn it on full blast or turn it on low so the water simply trickles out. The rest of this chapter’s discussion will focus on your Direct and Wholesale Placement Processes being turned on high enough, never turned off, and not requiring millions and millions of dollars to develop and deploy, like crowdfunding portal businesses. Our textbook, to repeat, is not about becoming a crowdfunding portal business (sponsor meta-business model #7—see Chapter 1). The handful of crowdfunding portal business leaders required many millions of capex to launch (Realty Mogul

reported raising \$70 million from venture capital firms to launch and get up and running).

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A	B	C
Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

Universal Principle #7: Credibility Changing Hands

“This device is great—take my word for it” might work when selling B2C products or public offering real estate syndications but not so when raising capital for private offering SPOs, TICOs or BPOs. The currency of “cash changing hands” is the ethos of B2C product sales and public offering syndications sold to “members” or “customers” in “low-touch” commoditized markets. The currency of “credibility changing hands” is the creed of private offering syndicators raising capital for their SPOs, TICOs, and BPOs from “partners”, “customers” and “clients” in high value “high-touch” differentiated markets. In the case of sponsor credibility (the precursor for asking an investor to become a “member,” “partner,” “customer,” or “client”) your company controls exclusively your Core Strategy messages, potentially controls who your influential messengers will be and potentially controls all your media and mediums.

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A	B	C
Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

Universal Principle #8: Develop-Deploy-Develop at The Same Time

This might come as a hard pill to swallow. Early and Emerging Growth Stage sponsors have to develop and then deploy the right Direct Placement and/or Wholesale Placement Sources/Strategies for the Sponsor Growth Stage the sponsor is in. This can be called the right fit. This is challenging enough, but here comes the biggest challenge of all. At the same time the sponsor has to be in development mode for either Direct Placement Platform 2.0 or Wholesale Placement Platform's next Sources/Strategies, that will be necessary for the sponsor's crossing the next chasm (see Sponsor Growth Stage framework—Figure 1.1). These chasm crossings happen because capital raising is increasing and accelerating. Exponentiality comes to mind (see Chapter 2: The Syndicomm: Exponential Returns). This exponential increase in capital raising is neither an accident or automatically achieved. Tables 6.2 and 6.3 (Chapter 6) illustrate this syndication best practice.

Here's a simplified explanation. A Launch Stage Sponsor has to deploy Direct Placement Sources/Strategies #1-6 simultaneously. See later description. This is the sponsor's Direct Placement Platform 1.0. During Launch Stage deployment, the sponsor has to organize the requisite number of offerings and sell the requisite number of SPO, TICO, or BPO properties (see Chapter 6). During the last two years of the Launch Stage, the sponsor has to be planning and developing either or both Direct Placement Sources/Strategies #7 - #13 (Direct Placement Platform 2.0) and the Wholesale Placement Platform Sources/Strategies #1, #2, #5 and #6. When these new Direct Placement Sources/Strategies and/or Wholesale Placement Sources/Strategies are sufficiently developed and in place then, and only then, can the sponsor declare itself over chasm 2 and into its Emerging Growth stage.

<input type="checkbox"/> A Totally agree with the principle and we have the “will” and the “way” to put it in play now.	<input type="checkbox"/> B Principle makes sense but our current “will” and/or “way” prevents our implementation now.	<input type="checkbox"/> C Our circumstances are unique—therefore the principle doesn’t apply to us now.
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Universal Principle #9: 11 Touches Needed to Move Cold Leads to Customer or Client Status

The “state-of-the-art” and “science” driving online and offline sales/marketing physics is the recent evidence that 11 touches are necessary to move a cold lead (Zone 1) through Zone 3 (person to person meeting) and finally Zone 4 (first investment).

<input type="checkbox"/> A Totally agree with the principle and we have the “will” and the “way” to put it in play now.	<input type="checkbox"/> B Principle makes sense but our current “will” and/or “way” prevents our implementation now.	<input type="checkbox"/> C Our circumstances are unique—therefore the principle doesn’t apply to us now.
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Universal Principle #10: Raising Capital From “Customers” Means Wholesale Placement Will be Needed

The old expression “live by the sword, die by the sword” applies to sponsors in the following scenario: when a sponsor remains in the Sponsor/Investor-Customer Relationship mode late in its Launch Stage, this same sponsor will have to develop and deploy Wholesale Placement to grow the company into its Emerging Growth Stage and High Growth Stage. The Syndication-as-a-Product OpS model (the OpS model for the Sponsor/Investor-Customer Relationship) depends on increasing the sheer number of investor-customers. The Wholesale Placement Process has been, for the last 45 years, the go-to Placement Process for accelerating the speed and sheer number of investor-customers. It remains so

today. Crowdfunding Portals are impressive Sources/Strategies for sure, but a portfolio of 10-30 selling agreements with FINRA firms ensures a sponsor safer waters. In sharp contrast is a sponsor growing its capital base through the Sponsor/Investor-Client Relationship model. Here it is the acceleration in the amount of capital per investor-client and their repeat investments and 1031 exchanges that controls.

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Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

SCORING THE UNIVERSAL PRINCIPALS

How Many A Boxes Checked	_____	X	10	=	_____
How Many B Boxes Checked	_____	X	5	=	_____
How Many C Boxes Checked	_____	X	0	=	_____
			TOTAL		_____

If your score is 70 or above, you have right now the “will” to follow most of these ten Universal Principles. With the “will” in place, the “way” will be found. That’s the purpose of this textbook. If your score is below 70, don’t be discouraged. The remaining chapters of our textbook will surely provide the insights you need for aligning your “will” and “way” with these ten Universal Principles.

DIRECT PLACEMENT PLATFORM 1.0—YOUR ENGINE

One goal of this textbook is to take the mystery out of Early Stage capital raising. Since about 2001, there has not been a sure-fire out-of-a-box or plug-in capital raising process and path to follow for Early Stage aspiring syndication companies. Prior to 2001, Early Stage sponsors were able to count on Wholesale Placement in the FINRA broker-dealer market for funding. See my success story concerning Uptown Properties—the case example at the end of Chapter 1. But today, absent a unique and compelling Project Category Power story (Chapter 9), only Emerging Growth Stage sponsors are passing broker-dealer due diligence. The following recommendations I sign-off on with great confidence. To follow the 10 Universal Principles we just reviewed demands nothing less than a comprehensive go-to-market Direct Placement Platform 1.0—your capital raising engine.

The All-In Bundle Lighting Strike Concept—The Heart of Your Engine

Let's start with the idea that the first 6 Direct Placement Sources/Strategies should be launched simultaneously with a big bang. Think of each Source/Strategy as the 6 cylinders of your capital raising engine. Table 4.11 identifies these 6 Direct Placement Sources/Strategies. These 6 Sources/Strategies were first identified in Table 1.1 and again in Table 4.2 - the complete list of Placement Processes Sources/Strategies.

The last page of our textbook (page 438) reviews four “must have” resources offered by my law firm—Syndication Law Group (“SLG”) . These four resources were developed to complement your Placement Processes and your tactics and tools (see Appendices) .

TABLE 4.11 DIRECT PLACEMENT SOURCES/STRATEGIES OF THE DIRECT PLACEMENT PLATFORM 1.0

1. Friends and Family Processes
2. Finders Processes
3. Other Sponsor JV Processes
4. 506(c) Offline Processes
5. Registered Investment Advisor (“RIA’s”) Without Broken-Dealer License Processes (SEC-only)
6. 506(c) Online Processes

Each of these 6 Sources/Strategies synergize with each other—it’s an all-in bundle strategy. This is your engine. When they are all in-play simultaneously, a virtuous cycle of high capital raising performance is possible. The high performance we are talking about is increasing as fast as possible the people who “know about” (Zone 2), your company. Take one of the Sources/Strategies out of play and a vicious cycle of underperformance is the outcome. One significant pay-off from your Direct Placement Platform 1.0 is the fact that your company does not have to choose its ideal Sponsor/Investor Relationship model and the corresponding OpS model. Your Direct Placement Platform 1.0 can be used to attract all four types of investors—members, partners, customers and/or clients. This becomes very useful for the Early Stage sponsor for the following reasons:

- The sponsor may not have made its long-term decision about its Ideal Investor Profile (including ideal Sponsor/Investor Relationship model). The sponsor can wait a couple of years before a final decision. In the meantime, the sponsor needs to shotgun blast with buckshot its communications including “offering is open”, “offering is half-funded” and “offering is closed” announcements. These three announcements and others like them supercharge the online and offline “word-of-mouth” capital communication momentum.

- The Early Stage sponsor needs every possible type of investor, influencer and intermediary looking at the sponsors' first offerings and operations. Beggars can't be "choosy." You can pick and choose once you are in your Emerging Growth Stage.

Principles Driving Direct Placement Platform 1.0— The Engine

Core Strategy—The Great Precursor Principle

A healthy spend of capex and/or opex will be needed for the development and deployment of your Direct Placement Platform 1.0. This investment justifies that your Core Strategy design process (Part II) be rigorous, bold and completed during your Explorer Stage—just prior to your Launch Stage. If your company is already deep into its Launch Stage when this textbook found you—don't worry. It's never too late to re-engineer or re-boot (if you prefer this analogy) what you are doing. We know Core Strategy design is the great precursor for your Early Stage success. The 90/10 Syndication Process Innovation Law (Chapter 5) tells us so:

90% of the success/failure of any process hinges on how the first 10% of the process is managed

Core Strategy design (Part II) is that first 10% of the syndication business building process. To ensure your Core Strategy story is "fascinating" follow the 7 Voices of Your Brand recommendations. Make sure your "copy", wherever it appears, has a large measure of innovation, passion, power, prestige, trust, mystique and alert language embedded. There are KPIs you can use to signal your Core Strategy design process is complete:

- Content for website is complete
- Content for collateral sales pieces done
- Content for pitchdeck done

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A	B	C
Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

First Impressions and Lightning Strike Principle

When launching the new syndication company, the founders only get one chance to make a first impression. Assuming the sponsor has done a great job of designing its Core Strategy Story (Part II) then more investors, influencers, and intermediaries that can be reached with the sponsor’s first offerings the better. This first time capital raising/company launch announcement process has become popularized in the high tech start-up company sectors as “the lightning strike.” At the center of this body of knowledge is the primacy of category power strategy (for more see the book *Play Bigger* by Ramadan, Peterson, Lochhead and Maney).

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Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

Go Big, Go Bold, Go Fast or Go Home Principle

Your team’s mantra during your Early Stages—Explorer Stage and Launch Stage should be “Go Big, Go Bold, Go Fast or Go Home”. Nothing short of a 100% commitment to your Direct Placement Platform 1.0 should be your mindset. The methods of developing and then deploying your Direct Placement Platform 1.0 is not tricky and not highly nuanced. It’s blocking and tackling. It’s not fancy double reverses and flee flicker passes. It’s a “pedal to-the metal” and the “buildings-on-fire” sense of urgency.

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A	B	C
Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

Go Ugly if You Have To Principle

A sponsor’s first offerings and first years of being in business (full or part-time) can be scary. Here’s an example. In Chapter 1, section titled “Knowing Your Odds” we opened the kimono and reviewed the start-up company failure rate (80%). These are long odds staring you in the face. Whatever your founders and support team can do to ensure your Early Stage annual business plans’ KPIs, including number of offerings, materialize is the goal. Only through aggressive Direct Placement Platform 1.0 execution is all this possible.

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A	B	C
Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

Go For New Investors, RIAs, Family Offices and FINRA Broker-Dealers When You Don’t Need Them Principle

Why does Direct Placement Platform 1.0 planning resemble personal borrowing from a bank? They both work best when you don’t need their money. Many of my clients have pushed back on my advice to execute on Direct Placement Platform 1.0 best practices. Their rational stems from the human tendency to put off anything that is not a near term urgent matter. These clients think they have enough investors through purely organic forces for the next offering—so why spend the money and

effort on a fully loaded and deployed Direct Placement Platform 1.0? “We’ll get to it when we need it” is a bad philosophy for Early Stage sponsor best practices.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A	B	C
Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

Front-End Fees Pushback Principle

Watch out for some investor candidates pushing back on the O and O fees/reimbursements. Many of your legacy friends, family, past business colleagues and new investors prepared to write six figure checks to become one of your clients may be just fine with your property acquisition and loan acquisition fees. These same investors may push back at your offerings’ organization and offering costs, fees and reimbursements. Our earlier warning regarding not being afraid about “going ugly” applies here. You can do everything from eliminating the O and O entirely to reducing the O and O as it applies to the amount of capital your legacy friends, family, past business colleagues or new investor candidates are investing. Another technique is to structure the O and O but the manager reserves the right to defer the payment out of offering proceeds and treat the deferral as an unsecured loan from the manager to the LLC. This loan’s due date can be tied to a refinance or sale event. Furthermore, this loan payoff will be subordinated to the cash investors in the offering receiving their capital back and an annual preferred return (the “Pref”).

Notwithstanding the above advice, the syndication best practice here is to structure sponsor front-end O and O right from the start in your first offerings. This way all the new investors, influencers and interme-

diaries you connect or reconnect with will know your policy—your firm gets paid O and O in addition to any other sponsor compensation items. Table 4.12 was first referred in our Introduction. It lists the menu of sponsor compensation items. Obviously, the kind of sponsor meta-business model you choose (Chapter 1) will influence your selection of compensation items.

TABLE 4.12 SPONSOR COMPENSATION ITEMS

Front End	Middle	Back End
<ul style="list-style-type: none"> • Property acquisition fees • Property finance fees • Organizational fees and reimbursements² • Offering fees and reimbursements² • Securities commissions for raising the capital if manager licensed • Overhead reimbursements • Developer fees 	<ul style="list-style-type: none"> • Property management fees • Property leasing commissions • Property refinance fees • Construction/repositioning fees • Percentage interest in cash flow/refinance • Asset management/investor reporting fees • Overhead reimbursements 	<ul style="list-style-type: none"> • Property disposition fee • Percentage interest in profits • 1031 exchange-up fees (if structured) • Going forward assets under management (AUM) fees • Note servicing fees • Overhead reimbursements

<input type="checkbox"/> A Totally agree with the principle and we have the “will” and the “way” to put it in play now.	<input type="checkbox"/> B Principle makes sense but our current “will” and/or “way” prevents our implementation now.	<input type="checkbox"/> C Our circumstances are unique—therefore the principle doesn’t apply to us now.
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SCORING DIRECT PLACEMENT PLATFORM 1.0 PRINCIPLES

How Many A Boxes Checked	_____	X	16.66	=	_____
How Many B Boxes Checked	_____	X	8.50	=	_____
How Many C Boxes Checked	_____	X	0	=	_____
			TOTAL		_____

If your score is 70 or above, you have right now the “will” to follow most of these Direct Placement Platform 1.0 Principles. With the “will” in place, the “way” will be found. That’s the purpose of this textbook. If your score is below 70, don’t be discouraged. The remaining chapters of our textbook will surely provide the insights you need for aligning your “will” and “way” with these Direct Placement Platform 1.0 Principles. Let’s now move to the best practices driving Direct Placement Platform 1.0—the engine.

Best Practices Driving Direct Placement Platform 1.0— The Engine

The flip side of “principles” is “practices.” Together, principles and practices (including “processes”) constitute a discipline. As with any discipline, the aim is to develop traits, skills, and competencies that result in habitual behavior of excellence (often called “best practices”). Often, “best practices” become normalized and new practices emerge from bold innovators. In the case of Placement Process disciplines this means your capital raising engine is on 24/7. The good news is disciplines can be learned and practiced. This section of Chapter 4 offers a glimpse of syndication business building following the philosophy of the Visionary Way (Chapter 7: Player Power: The Visionary Way). The original researchers responsible for the Visionary Way framework have this to say:

The lessons of these visionary companies can be learned and applied by the vast majority of managers at all levels. Gone forever—at least in our eyes—is the debilitating perspective that the trajectory of a company depends on whether it is led by people ordained with rare and mysterious qualities that cannot be learned by others. You can learn them. You can apply them. You can build a visionary company.

The following “best practices” make up the core framework for developing and deploying Direct Placement Platform 1.0

Best Practice #1: Strict Adherence to the 10 Universal Principles and the 6 Direct Placement Platform 1.0 Principles

These two sets of principles really are your rudder. These 16 principles act as both your path of policies and guardrails. Following these 16 principles enables your team to be both confident and enthusiastic. These principles should clear-the-air if anyone on your team has fuzzy and/or leap-of-faith-assumptions (“LOFAs”) that have not yet been validated about how to execute your capital raising during both the Explorer Stage and Launch Stage.

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A	B	C
Totally agree with best practices and we have the “will” and the “way” to put it in play now.	Best practices make sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore best practices doesn’t apply to us now.

Best Practice #2: Assembling Your Databases

The goal here is to have access/control over databases with complete and accurate information about the potential investors, influencers and intermediaries (SEC or FINRA licensed and non-licensed individuals who may serve as a finder, influencer, co-manager, JV partner and

other roles). The immediate goal is to have contact information about everyone in your area of operation (Chapter 8: Place Power). The following table describes a classification framework for 23 different types of individual/institution investment profiles, potential transaction roles and the communication mediums/functions. The keystone asset is the databases.

The field of data science offers the requisite inspiration and development roadmap for syndication data science. This kind of data science (including AI, analytics and advanced search) can impact every function of Property Processes. However, the “killer” application of syndication data science will be to optimize the databases driving Direct Placement Processes Sources/Strategies #1-#7, #10, #12, #13, #14 and Wholesale Placement Sources/Strategies #1-#7. For example, our firm (Syndication Law Group) focuses on the fluid and unique challenges our firm’s Early Stage and Emerging Growth Stage sponsor-clients face. We are co-developing with a handful of B2B and B2C database platform and database system providers, along with bulk direct mail (envelopes and flyers) vendors and bulk email vendors with different applications for powerful and affordable Direct Placement Platform 1.0 database and communication solutions. In addition, the breakout advances in the domains of data science, AI and advanced search are an integral part of our system’s development roadmap. See page 438 for a description of our progress and four “new resources” that our firm is offering our clients.

Table 4.13 describes the 23 types of potential investors, influencers and intermediaries. They are ranked in order of their practicality for the Early-Stage sponsor. Emerging Growth Stage sponsors should pay closest attention to #7-#23 with an emphasis on #7, #15-#23. The assumption is the Emerging Growth Stage sponsor already has its Direct Placement Platform 1.0 up-and-running.

TABLE 4.13 DIRECT PLACEMENT PLATFORM 1.0: DATABASES FOR INVESTORS, INFLUENCERS AND INTERMEDIARIES

Type of Individual/Institution	Possible Role	Communication Mediums/Functions
1: Individual Fee Owners of Investment Property in Your Area	<ul style="list-style-type: none"> • Cash Investor • TIC Investor • Finder • Influencer • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail-Bulk (Envelope/Flyers) • Email-Bulk • CRM Tools • Social Media • Traditional Media
2: Single Member LLC Owner of Investment Property in Your Area.	<ul style="list-style-type: none"> • Cash Investor • TIC Investor • Finder • Influencer • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail-Bulk (Envelope/Flyers) • Email-Bulk • CRM Tools • Social Media • Traditional Media
3: Individual Fee Owners of same specialized project category as your company in your area.	<ul style="list-style-type: none"> • Cash Investor • TIC Investor • Finder • Influencer • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail-Bulk (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
4: Individual Fee Owner of Same Specialized Project Category as Your Company Out of Your Area.	<ul style="list-style-type: none"> • Cash Investor • TIC Investor • Finder • Influencer • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail-Bulk (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
5: Individual High-End Homeowners in Your Area.	<ul style="list-style-type: none"> • Cash Investor • Influencer • Finder • TIC Investor • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail (Flyers-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
6: Business Owners in Your Area.	<ul style="list-style-type: none"> • Cash Investor • Influencer • Finder • TIC Investor • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail-Bulk (Envelope/Flyers) • Email-Bulk • CRM Tools • Social Media • Traditional Media
7: Registered Investment Advisor (RIA) SEC only License in Your Area.	<ul style="list-style-type: none"> • Influencer • Capital Raiser • Cash Investor • Finder 	<ul style="list-style-type: none"> • Direct Mail (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media

Table 4.13 continued

8. CPA's and Estate Planning Attorneys in Your Area.	<ul style="list-style-type: none"> • Influencer • Cash Investor • Finder 	<ul style="list-style-type: none"> • Direct Mail (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
9. Pension Advisors/Administrators in Your Area.	<ul style="list-style-type: none"> • Influencer • Cash Investor • Finder 	<ul style="list-style-type: none"> • Direct Mail (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
10. Currently An LLC Investor in Your Area or Out of Area (When Sponsor's Project Category Power Story Would Attract Out of Area Investors).	<ul style="list-style-type: none"> • JV Partner • Co-Mgr. • TIC Investor • Finder • Influencer • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
11. Sponsor/Manager of Same Specialized Project Category as Your Company's in Your Area.	<ul style="list-style-type: none"> • JV Partner • Co-Mgr. • TIC Investor • Finder • Influencer • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
12. Sponsor/Manager of Same Specialized Project Category as Your Company's Out of Your Area.	<ul style="list-style-type: none"> • JV Partner • Co-Mgr. • TIC Investor • Finder • Influencer • Property Mgmt. 	<ul style="list-style-type: none"> • Direct Mail (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
13. Real Estate Brokers in Your Area.	<ul style="list-style-type: none"> • Influencer • Cash Investor • TIC Investor • Finder • Prop Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail-Bulk (Envelope/Flyers) • Email-Bulk • CRM Tools • Social Media • Traditional Media

Table 4.13 continued

14. Mortgage Lenders/Brokers in Your Area.	<ul style="list-style-type: none"> • Influencer • Lender • Finder • TIC Investor 	<ul style="list-style-type: none"> • Direct Mail (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
15. Regional And Boutique Broker Dealers with HDQ In Your Area.	<ul style="list-style-type: none"> • Influencer • Lead Placement Agent • Member of Selling Group 	<ul style="list-style-type: none"> • Direct Mail (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
16. FINRA Registered Reps in Area.	<ul style="list-style-type: none"> • Influencer • FINRA Capital Raiser • Gatekeepers to their Broker-Dealer (Registered Rep Sponsorship) 	<ul style="list-style-type: none"> • Direct Mail (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
17. Family Offices in Your Area.	<ul style="list-style-type: none"> • Cash Investor • Influencer • JV Partner • Co-Manager • TIC Investor • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
18. Sponsor/Manager of Manager-Managed LLCs In Your Area.	<ul style="list-style-type: none"> • JV Partner • Co-Mgr. • TIC Investor • Finder • Influencer • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail-Bulk (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
19. Sponsor/Manager of Manager-Managed LLCs Out of Your Area.	<ul style="list-style-type: none"> • JV Partner • Co-Mgr. • TIC Investor • Finder • Influencer • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail-Bulk (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media

Table 4.13 continued

20. Placement Agents, Wholesalers and Independent Due Diligence Firms in Your Area, Regionally and Nationally.	<ul style="list-style-type: none"> • Influencer • Gatekeeper to FINRA Broker-Dealers and Reg Reps • Finders 	<ul style="list-style-type: none"> • Direct Mail-Bulk (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
21. Private Real Estate Equity Fund Specializing in Your Project Category.	<ul style="list-style-type: none"> • JV Partner • Co-Mgr. • TIC Investor • Finder • Influencer • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
22. Private Real Estate Equity Fund in Area.	<ul style="list-style-type: none"> • JV Partner • Co-Mgr. • TIC Investor • Finder • Influencer • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media
23. Private Real Estate Equity Fund Out of Area.	<ul style="list-style-type: none"> • JV Partner • Co-Mgr. • TIC Investor • Finder • Influencer • Property Mgmt. Client 	<ul style="list-style-type: none"> • Direct Mail (Envelope-Only) • Email-Bulk • CRM Tools • Social Media • Traditional Media

CONTINUE TO NEXT PAGE

Best Practice #3: Fully Functioning Website

Your website should be professionally designed. The content and design should follow the themes developed during your Core Strategy Design work. Your website should have as much functionality, features, tactics and tools that get the job done. Here’s a short list of “must haves”:

- See Appendix for 75 Tactics and 42 Tools—many integrate with your website.
- Crowdfunding functionality. (Juniper Square and AppfolioIM are two go-to providers)
- CRM, bulk email service provider (Velocity)
- SEO
- Social Media functionality
- Data Handshake functionality
- The UX (User Experience)
 - Familiar
 - Approachable
 - Actionable
 - Informative
 - Secure
 - Responsive
 - Educational
 - Testimonials
 - Fast

CONTINUE TO NEXT PAGE

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A	B	C
Totally agree with best practices and we have the “will” and the “way” to put it in play now.	Best practices make sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore best practices doesn’t apply to us now.

Best Practice #4: Finders Compensation Tactics

Twelve of the 23 individuals/institution categories (Table 4.13) are groups of people that potentially could introduce your company to investors, other syndicators, RIAs, lenders, local broker-dealers, local registered reps and family offices. Often these “fans” of your efforts will have their hand out for a spiff. These are finders fees and they have forever been a hotly debated subject in private syndication circles. A few states like California have passed legislation allowing “finders fees” under certain circumstances and qualifying conditions.

As a general rule of thumb—finders fees are not legal under federal and most state securities laws. FINRA regulations prohibit FINRA firms from selling an offering when non-licensed people/individuals are also selling and receive some kind/any kind of compensation. The issuer exemption under federal and state laws allow principals/employees to sell your offerings’ LLC membership interests (securities)—you just can’t compensate anyone in your company with a commission/finder’s fee. The structure/strategy used most often is for the sponsor to bring the finder inside the company and pay the finder like other employees are paid. The Appendix includes a form used for this purpose. Another context when people are “finding” capital is the context of internal staff hustling to find RIA’s, broker-dealers and registered reps. This “hustling staff” are your internal wholesalers. These internal wholesalers do not have to carry a securities license. Chapter 3’s case example demonstrates how the sponsor, namely Stonecrest Management, trained-up internal staff to seek out relationships with SEC-only RIA’s.

Another structure used is the finder being paid by the investor. This payment can be in the form of cash or investor profits participation. This works best when the finder is a real estate broker. In this context, the investor is partnering-up with a real estate broker and their partnership relationship focuses on locating a securitized real estate asset. To my knowledge, there is no law or cases, for or against this tactic.

<input type="checkbox"/> A Totally agree with best practices and we have the “will” and the “way” to put it in play now.	<input type="checkbox"/> B Best practices make sense but our current “will” and/or “way” prevents our implementation now.	<input type="checkbox"/> C Our circumstances are unique—therefore best practices doesn’t apply to us now.
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Best Practice #5: Routine and Systematic Communications to the 23 Types of Individuals/Institutions That May be Investors, Influencers and Intermediaries (Table 4.13)

The 75 tactics and 42 tools described in the Appendix provides your company a large menu of marketing, relationship-building and credibility-building ways to find, connect and impress investors, influencers and intermediaries. There is no one magic bullet. The only way to create an awareness (Zone 2) between your company and investors, influencers and intermediaries on a massive scale is to assemble all the databases from table 4.13 and reach out with creative online and offline communication mediums with offers of engagement—at least 11 times (Universal Principle #10).

<input type="checkbox"/> A Totally agree with best practices and we have the “will” and the “way” to put it in play now.	<input type="checkbox"/> B Best practices make sense but our current “will” and/or “way” prevents our implementation now.	<input type="checkbox"/> C Our circumstances are unique—therefore best practices doesn’t apply to us now.
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Best Practice #6: Investor Seminars

The closest “best practice” keystone for your Direct Placement Platform 1.0 are the investor seminar tactics #10, #11 and #12 described in the Appendix. This is the one tried and true communication strategy that in one motion produces hundreds and thousands of Zone 2 investors, influencers and intermediaries and moves 20-60 investor candidates into Zone 3 with each seminar. This best practice is repeated monthly or quarterly. These seminars, with your own unique Core Strategy story and unique presentation features are produced by firms specializing in this sector of direct-mail marketing. These direct-mail providers can even guarantee “seminar invitations” will be land-mailed to every affluent household in your area. Often these specialized direct-mail vendors can work on a guaranteed attendance basis. A typical non-metro based area will have between 10,000 and 15,000 affluent households. A strong metro area can have four times as many affluent households. These invitations take every affluent household in your area immediately to Zone 2 (these people learn who you are) and the invitees that show up for the dinner or lunch-based seminar move into Zone 3 with your company. Recently I sat in on an investor seminar dinner that one of my clients from Colorado held in Del Mar, CA (my backyard). This client was a husband and wife team syndicating apartment buildings in the south. I introduced the client to one of my law firm’s vendors/partners, which produced 3 differently located SoCal investor seminar dinners. One of the investors at this dinner seminar I attended committed to investing \$10 million over the next 12 months in my client’s offerings. This experience demonstrates several things. You have to cast a wide and enticing net (the seminar invite) and you never know what kind or size of fish will show up in your net. Like my client, you might catch a whale.

Driving Investors, RIAs, Family Offices and Broker Dealers to Your Website. In a worst case scenario the invitees will, if in investment mode, or just fascinated with your story on the invite, but unavailable to go to the investor seminar dinner will, at a minimum go online to scope

out and pick up the vibe of your company. A high percentage of these online visitors can do three things. One, download your current offering's PPM and become an investor immediately. Two, click on your webinar and/or three, they will be motivated to download from your site something of interest (real estate reports and white papers) and in return leave you their contact info (the "data handshake"). Direct mail vendors report the following performance data from these investor-seminar campaigns:

- 1% of the households mailed will attend your seminar.
- 30 attendees will equal 18 households.
- 18 households will lead to 60% post seminar one on one (Zone 3) meetings with sponsor.
- 11 households will equal 30% to 50% conversions.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A	B	C
Totally agree with best practices and we have the "will" and the "way" to put it in play now.	Best practices make sense but our current "will" and/or "way" prevents our implementation now.	Our circumstances are unique—therefore best practices doesn't apply to us now.

Best Practice #7: Super Investor Seminar

This next Direct Placement Platform 1.0 best practice integrates the 10 Universal Principles, the 6 Direct Placement Platform 1.0 principles and the 6 previous best practices. This integration comes about when your company coordinates the direct mailings of best practice #6. Using a specialized direct-mail vendor's 5,000-10,000 direct mail invitations (flyer or envelope based), your firm will piggy-back by direct mailing in bulk and emailing in bulk your own invitation to all your contacts in your investor-candidate databases (see best practice #2 above). For good measure, place social media ads and traditional ads announcing

the dinner seminar. Remember Universal Principle #9—sales/marketing professionals today believe that cold leads need to be contacted 11 times (drip system physics) before a cold lead takes action to allow face to face interaction with the seller of a product.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A	B	C
Totally agree with best practices and we have the “will” and the “way” to put it in play now.	Best practices make sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore best practices doesn’t apply to us now.

Best Practice #8: Tell the Whales They are a Client With No Front-End Load Charged on Their Investment

There is a strong correlation connecting investors writing checks for 6-7 figure amounts with sponsors treating these whale-sized investors as “clients” and not “customers”. When fishing for whale-sized investor “clients” sponsors emphasize to these client candidates that the offerings they will invest in will not have the typical syndicator sales commissions, wholesale commissions and cost reimbursements charged or “taken-out” of the client’s 6-7 figure investment. The O and O fees/reimbursements is up for grabs. Sometimes, whales ignore O and O (meaning sponsor can take it), other times whales will insist you eliminate O and O.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A	B	C
Totally agree with best practices and we have the “will” and the “way” to put it in play now.	Best practices make sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore best practices doesn’t apply to us now.

Best Practice #9: Sales Support (Front Office)/Investor Relations (Back Office)

From the get-go, your company should have enough sales support to back up the founder or founders executing on your Direct Placement

Platform 1.0 and 2.0. One dedicated sales support person is all that is needed during your Launch Stage. Two may be needed for the Emerging Growth Stage. Likewise, your back-office investor relations department (in-house or outsourced) must be in play. The best practice today is to send cash flow distributions on a monthly basis. Realty Income Corporation (the case example for Chapter 10), which has syndicated over 15,000 properties totaling 335,000,000 sq ft, has gone to great length to brand its company as the “monthly income” sponsor—its worked for 50 years.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A	B	C
Totally agree with best practices and we have the “will” and the “way” to put it in play now.	Best practices make sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore best practices doesn’t apply to us now.

SCORING DIRECT PLACEMENT PLATFORM 1.0 BEST PRACTICES

How Many A Boxes Checked	_____	X	11.1	=	_____
How Many B Boxes Checked	_____	X	5.5	=	_____
How Many C Boxes Checked	_____	X	0	=	_____
			TOTAL		_____

If your score is 70 or above, you have right now the “will” to follow most of these Direct Placement Platform 1.0 Best Practices. With the “will” in place, the “way” will be found. That’s the purpose of this textbook. If your score is below 70, don’t be discouraged. The remaining chapters of our textbook will surely provide the insights you need for aligning your “will” and “way” with these Direct Placement Platform 1.0 Best Practices. Let’s now move to the principles and best practices driving Direct Placement Platform 2.0.

DIRECT PLACEMENT PLATFORM 2.0

Direct Placement Platform 2.0 is an extension of the “best practices” of Direct Placement Platform 1.0. The first “best practice” is to strictly follow the 10 Universal Principles and 6 Direct Placement Platform 1.0 principles. As a rule, Early Stage sponsors do not have a track record sufficient to satisfy the due diligence requirements of the remaining 8 Sources/Strategies of Direct Placement. However, and this is the key point—the Early Stage sponsor that wants to raise capital with Direct Placement Platform 2.0 during the Emerging Growth stage needs to put in motion Direct Placement Platform 2.0 Sources/Strategies during the Emerging Growth Stage. This is essential because it will take 12-24 months to move these 8 Sources/Strategies into a Zone 3 relationship with the sponsor. Table 4.14 identifies these last 8 Sources/Strategies of Direct Placement.

TABLE 4.14 DIRECT PLACEMENT PLATFORM 2.0 SOURCES/STRATEGIES

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 “In-house” Retail Sales Team Processes
12. Private Equity Fund Processes
13. Foreign Investor Processes
14. Crypto Fund Processes

The development and deployment of Direct Placement Platform 1.0 (and 2.0 but to a lesser extent) empowers the young sponsor company through the lift-off physics of Early-Stage syndication Placement Processes best practices. Some sponsors can navigate their journey through their Emerging Growth Stage by accelerating and increasing their Direct Placement Platform 1.0 and 2.0 tactics. Most sponsors who break-out of their Emerging Growth Stage and cross chasm 3 into their High Growth Stage rely on either the Sponsor-Investor/Client Relationship model or our next Placement Process—Wholesale Placement which relies on the Sponsor/Investor-Customer Relationship model.

Crowdfunding Portal Pluses and Minuses

Before we go there, let's note that Crowdfunding Portals is a Direct Placement Platform 2.0 Source/Strategy. The question may come up “why take on the Wholesale Placement Platform Processes if it's possible for one or two Crowdfunding Portal selling agreements to increase your capital raising?” The short answer is really a question. Is it safer to bet your future on one or two Crowdfunding Portal relationships or 15-30 FINRA broker-dealer relationships? The winning formula favors the FINRA broker-dealers. If one of your three Crowdfunding Portal selling agreements goes sour, then one third of your capital raising power is lost. Worse, there may not be a reliable Crowdfunding Portal to replace the one that disappears on you. In sharp contrast is losing one FINRA broker-dealer selling agreement. Only a small percentage of capital raising power is lost. Most importantly, there are hundreds of FINRA broker-dealers out there to expand your selling group.

WHOLESALE PLACEMENT PROCESSES

We are now going to examine the Placement Process that most High Growth/Hyper Growth Stage sponsors rely on for their Emerging Growth Stage growth and for crossing Chasm 3 into their High Growth Stage.

The Wholesale Placement Process finds its beginnings during Syndication 2.0 (1970-2010). During this epic period, the financial planning industry, the securitization of real estate and the regulatory evolution we know today as FINRA had their beginnings. The National Association of Financial Wholesalers (“NAFW”) was organized in the early 1980s. I was on their original board of directors. When the syndication industry was upended by the Tax Reform Act of 1985 the NAFW lost a lot of its members and voice.

Before examining this Wholesale Placement Process lets visit two important points. The first is the evolution of real estate private equity firms (approximately 3500 in the United States). These firms, which rely on institutional investors and large family offices for their capital, deploy the institutional Wholesale Placement Process. The institutional Wholesale Placement Process for real estate private equity funds is the domain of placement agent firms (approximately 250 in the United States) who are hired by the institutional investors themselves. These placement agents in turn source, screen and select the private equity fund managers that these placement agents believe meet the requirements of the institutional investors that hired them in the first place. These private equity fund managers in turn invest in high-end core class A commercial, industrial, multi-family and agricultural properties. Security, cash flow and appreciation are the investment goals. The second point before moving on is to highlight the circumstances when a sponsor does not have to develop and deploy the Wholesale Placement Processes to grow during the Emerging Growth Stage. There are not many High Growth Stage sponsors that achieve this accomplishment without using the Wholesale Placement Process. The ones that do accomplish this have one thing in common—these sponsors rely on the Sponsor/Investor-Client Relationship model and use the Syndication-as-a-Service OpS model. Let’s look at one example.

The Power of the Sponsor/Investor-Client Relationship Model—Whale Hunting

The sponsors who achieve High Growth Stage status solely on their Direct Placement Platform 1.0 and 2.0 share one common trait—they rely on the Sponsor/Investor - Client relationship and its Syndication-as-a-Service OpS model (“SaaS”). This means the sponsor’s mindset and KPIs are fixed on increasing the number of times and the size of investments made by their stable of investor-clients. A great example is Sperry Equities, LLC. This value-add syndicator (see Chapter 1: Meta-Business Models) is profiled as the case example at the end of Chapter 7. Sperry Equities has a 20-year track record, averages 3-4 SPOs each year, and built up a highly successful property management firm—Sperry Commercial, Inc. The third arm of the firm—Sperry is a global network of real estate commercial brokers and strategic partners. Sperry Equities became a High Growth Stage sponsor through a relentless pursuit of perfecting the Sponsor/Investor-Client Relationship and SaaS OpS model. The company achieved High-Growth Stage status through Direct Placement Platform 1.0. The only Direct Placement Platform 2.0 Source/Strategy used by Sperry Equities is #13: foreign investors. The company has not developed or deployed Wholesale Placement. It didn’t need to because when a sponsor is hitting on all cylinders with the Sponsor/Investor-Client Relationship model, the sponsor’s capital raising will grow organically and almost automatically because some degree of network effects takes place (see Chapter 2: Innovation Terms). When a handful of investor-clients become whale-sized clients because they are realizing oversized returns, they start referring their friends and invest a second time, then the sponsor locks in its future. Sperry Equities is a prime example.

The number of Sperry Equities’ investors has grown modestly (now just over 100 active) but the frequency and size of investments by their investors has grown exponentially. The number of SPOs and TICOs that Sperry Equities sponsors each year (3-4) has not changed much but

the size of the properties they syndicate has grown larger, and the equity raised per offering has similarly grown larger. Most significantly (but overlooked by outsiders looking into the Sperry Equities story) is the size of their syndication division (# of employees) has stayed level throughout. What has grown is the size (# of employees and revenue size) of Sperry Commercial, Inc, the property management division. Because of Sperry Commercial, Inc's growth, Sperry Equities, LLC syndicates only when they "want to". The company does not "have to" syndicate to keep its doors open and staff/associates busy. My office has been their securities counsel since 2006.

Wholesale Placement is the Lever for the Sponsor/Investor-Customer Relationship Model

In very sharp contrast to Direct Placement SaaS experts like Sperry Equities are sponsors developing and deploying the Wholesale Placement Processes with the Sponsor/Investor-Customer Relationship and Syndication-as-a-Product ("SaaS") OpS model. These sponsors focus on dramatically increasing the sheer number of investor-customers. A prime example of the best-of-the-best Wholesale Placement sponsors is the Rancon Group of Temecula, California. Founded in 1970 by Dan Stephenson, Rancon has become the poster-boy of syndication best practices in two critical dimensions. First, Rancon wrote the playbook for the power of "backyard economics" (see Chapter 8, Place Power). The second best-practice playbook Rancon created is the principles/practices of syndication Wholesale Placement. Dan's company has raised more than \$800 million of investor capital from over 65,000 investor-customers through wholesaling into the FINRA broker-dealer market. Rancon has had hundreds of selling agreements with FINRA firms and RIA's. At various times, Rancon would employ 5-8 wholesalers, each with their own territory. Rancon has organized every type of private and public syndication (hundreds and hundreds). Rancon achieved its High/Hyper Growth Stage status, not by geographical expansion but by leveraging its credibility generated from its "backyard economics" story

and deploying every type of syndication meta-business model (Chapter 1: Sponsor Meta-Business Model). My law office has been among the handful of lucky firms to represent Rancon. Table 4.15 identifies the 7 Sources/Strategies of the Wholesale Placement Processes.

TABLE 4.15 WHOLESALE PLACEMENT SOURCES/STRATEGIES

1. 1. Hybrid RIAs-FINRA and SEC Licensed Processes
2. 2. Local Boutique FINRA Broker-Dealer Processes
3. 3. Regional FINRA Broker-Dealer Processes
4. 4. National FINRA Broker-Dealer Processes
5. 5. FINRA Registered Rep Processes
6. 6. Family Office Processes
7. 7. Crypto FINRA Broker-Dealer Processes

Principles Driving Wholesale Placement Platform

The following principles are not published anywhere. I still have not found a Wholesale Placement playbook written by FINRA, by any broker-dealer members, NIBA (National Investment Banking Association) or ADISA (Alternative and Direct Investment Securities Association). Syndicators have to develop their own Wholesale Placement playbooks. Our goal with the rest of this chapter is to offer your team a reliable framework in order to access the almost unlimited amount of investment capital sitting behind the gatekeepers known as FINRA broker-dealers (3,340 as of 2024) and/or family offices (3,180 as of 2024). We start off with the basics—the principles followed by syndicators who are successful with wholesaling or as many in the FINRA community call it—distributing syndication securities through FINRA firms. The

following represents the principles of this discipline. Consider this as your checklist for the mind-set requirements needed to plan successfully for your Wholesale Placement Processes.

Follow the 10 Universal Principles

The 10 Universal Principles outlined earlier in the chapter apply to both Direct Placement and Wholesale Placement Processes. Here's the short list again:

- Universal Principle #1: Common Language Cornerstone Principle
- Universal Principle #2: Spending Money You Don't Have Principle
- Universal Principle #3: Your Core Strategy Story Is The Precursor For Everything Principle
- Universal Principle #4: Don't Cherry Pick and Skin in The Game Principle
- Universal Principle #5: Your Elevator Pitch Principle
- Universal Principle #6: Get Everybody Talking Principle
- Universal Principle #7: Credibility Changing Hands Principle
- Universal Principle #8: Develop-Deploy-Develop At The Same Time Principle
- Universal Principle #9: 11 Touches Needed to Move Cold Leads to Customers or Client Status
- Universal Principle #10: Raising Capital From Customers Means Wholesale Placement Will be Needed

The explanation of these 10 Universal Principles will not be repeated in order to avoid redundancy. Believing and following each of the 10 Universal Principles is your "table stakes" to play the game of wholesaling. Once you're in the game, these 10 Universal Principles play a big role in your success in developing then deploying your Wholesale Place-

ment Platform. Beyond the 10 Universal Principles are the following 5 Wholesale Placement Platform principles and 11 Best Practices. Let's begin with the principles.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A	B	C
Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn't apply to us now.

Early-Stage Sponsor Plant Seeds Principle

Absent a famous Legacy Stage track record and existing contacts in the FINRA and family office markets, Early Stage sponsors can only plant seeds in the FINRA and family office markets. Your Direct Placement Platform 1.0 plants these seeds and harvests low hanging fruit in these markets. It is your Wholesale Placement Platform that will harvest the second batch of low hanging fruit. Next, your Wholesale Placement Platform will both plant seeds and harvest fruit over the medium and long term.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A	B	C
Totally agree with best practices and we have the “will” and the “way” to put it in play now.	Best practices make sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore best practices doesn't apply to us now.

Your Pre-Cursor Resource is a Strong Direct Placement Platform 1.0 Principle

To jump-start your Wholesale Placement Platform, you need a fully functioning Direct Placement Platform 1.0. The question becomes how soon thereafter can you commence wholesaling? Two to three years should be your goal.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A	B	C
Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

Offering Load Principle

Your company has to accept the “offering front-end load” requirements for raising capital in the FINRA market. This load will equal 8-15% of capital raised per offering. Adaptation and flexibility are essential if a sponsor has to not front-end load for the sponsor’s investor-partners or clients while front-end loading an offering for the percentage of an offerings capital that will be raised through Wholesale Placement Processes in the FINRA or family office markets.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A	B	C
Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

Pay to Play Principle

Be prepared for your company to sponsor broker-dealer special registered rep events and awards. Broker-dealers look to sponsors as the “cash cow” for some of the broker-dealers’ opex.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A	B	C
Totally agree with the principle and we have the “will” and the “way” to put it in play now.	Principle makes sense but our current “will” and/or “way” prevents our implementation now.	Our circumstances are unique—therefore the principle doesn’t apply to us now.

SCORING WHOLESALE PLACEMENT PLATFORM PRINCIPLES

How Many A Boxes Checked	_____	X	20	=	_____
How Many B Boxes Checked	_____	X	10	=	_____
How Many C Boxes Checked	_____	X	0	=	_____
			TOTAL		_____

If your score is 70 or above, you have right now the “will” to follow most of these Wholesale Placement Platform Principles. With the “will” in place, the “way” will be found. That’s the purpose of this textbook. If your score is below 70, don’t be discouraged. The remaining chapters of our textbook will surely provide the insights you need for aligning your “will” and “way” with these Wholesale Placement Platform Principles. Let’s now move to the best practices driving the Wholesale Placement Platform.

Best Practices Driving Wholesale Placement Platform

For reference and context, we are going to be repetitive. The flip side of “principles” is “practices”. Together, principles and practices (including “processes”) constitute a discipline. As with any discipline, the aim is to develop traits, skills, and competencies that result in habitual behavior of excellence (often called “best practices”). In the case of Placement Process disciplines this means your capital raising engine is on 24/7. The good news is disciplines can be learned and practiced. This section of Chapter 4 offers a glimpse of syndication business building following the philosophy of the Visionary Way (Chapter 7: Player Power: The Visionary Way). The original researchers responsible for the Visionary Way framework have this to say:

The lessons of these visionary companies can be learned and applied by the vast majority of managers at all levels. Gone forever—at least in our eyes—is the debilitating perspective that the trajectory of a company depends on whether it is led by people ordained with rare and mysterious qualities that cannot be learned by others. You can learn them. You can apply them. You can build a visionary company.

The following “best practices” make up the core framework for developing and deploying the Wholesale Placement Platform.

Best Practice #1: A Founder in Charge

One of the founders has to be in charge of the entire Wholesaling Placement Process and its platform. This same founder has to be available during the first year of wholesaling in order to have face-to-face meetings to execute on the following:

- Research, select and sign up the first senior or junior wholesaler
- Broker-dealer due diligence and selling agreement signings
- All registered reps intro, follow up and ongoing first year meetings
- Speaker for registered rep investor seminars
- In charge of representing the company at broker-dealer annual sales conferences

A

Totally agree with best practices and we have the “will” and the “way” to put it in play now.

B

Best practices make sense but our current “will” and/or “way” prevents our implementation now.

C

Our circumstances are unique—therefore best practices doesn’t apply to us now.

Best Practice #2: Wholesalers KPI

One experienced senior wholesaler should be raising through the registered reps in his/her territory between \$10-15 million per year beginning in year 2 or 3. When I was serving as the National Marketing Director for the syndication division of Kemper Insurance Company (Chicago) I was leading and managing 5 senior and junior wholesalers, each working their own territory across the country. We had selling agreements with over 55 regional and national-based broker-dealers.

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Best Practice #3: Patience for First Check

Sponsors (Early and Emerging) need a heavy dose of patience to penetrate the broker-dealer market. On average, sponsors will spend 6-18 months and a lot of capital before they see their first investor checks from the broker-dealer community. These 6-18 months begin either after the lead wholesaler is hired or one of the founders wears the wholesale director hat and he/she spends full-time for 6-18 months.

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Best Practice #4: Invest \$150,000

Like the patience needed before first investor checks come in from the FINRA broker-dealers, the sponsor must be willing to spend \$100,000

to \$150,000 over 6-18 months to get up and running its Wholesale Placement Platform before first checks come in.

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Best Practice #5: First Wholesaler Pulls-In Your Lead/ Managing Broker-Dealer

Your Wholesale Placement Platform will launch and meet your expectations if two things are in place. First—your lead wholesaler is well qualified, connected and his/her current “book of broker-dealers and registered reps” is impressive. Second, your lead wholesaler pulls with him/her a first class managing broker-dealer—a FINRA firm with clout among other FINRA firms. Your first senior wholesaler should already have the respect and relationships with many regional-based and even several national-based broker-dealers. One of these broker-dealers should be a lead placement agent quality firm. Before the hiring, the wholesaler should prove-up that out of his/her book of broker-dealers, one or more will sign a selling agreement with your company. Hopefully one is a lead placement agent quality firm. For a copy of a broker-dealer selling agreement, see Appendix.

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Best Practice #6: 80-50-0 Rule

Your company has to have the mind-set and Direct Placement Platform 1.0 output to raise 80% of the first offering that your firm secures broker-dealer selling agreements with, 50% of the second offering and thereafter your selling group can raise all the capital for your SPOs and BPOs. Your company should reserve a guaranteed allocation per offering since your Direct Placement Platform 1.0 and 2.0 should still be working 24/7. You never want to abandon a Direct Placement Platform 1.0 or 2.0 that's working.

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Best Practice #7: Make Finders Fees Disappear

Don't expect any broker-dealers to accept any of your firms legacy or going forward finders fee arrangements with non-licensed people. Broker-dealers are not allowed under FINRA rules to participate in offerings where finders fees to non-FINRA licensed people are involved. The lone exception here is a reliable finder willing to come aboard as an employee (not a consultant). Once on board, the company can rely on the SEC's issuer exemption regulations to enable hustling salespeople to raise capital. This finder-employee must be actually employed and have a wage not set by his/her capital raising performance. See Appendix for an employment contract.

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Best Practice #8: Front Load Offerings

Your offerings' O and O fees/reimbursements to your company were originally described as a source of income for your company to develop and deploy your Direct Placement Platform 1.0 and 2.0. Where does your wholesaling division get its overhead paid from? You either have to squeeze the overhead out of the O and O or out of your general opex. Here and right here is when you have to come to terms with your willingness to invest in your company or raise capital from outside shareholders to finance your growth. Opex may not have enough for you to feed the beast. The beast gets fed out of O and O, or out of opex or capex—and capex might mean raising outside capital from shareholders.

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Best Practice #9: Don't Cherry Pick

The FINRA community and family office community appreciate finding sponsors who give their best projects up for syndication. Said another way—sponsors who get rich at the same time and in the same deals as the FINRA selling group or family office group is a fundamental best practice for sponsors. Hard as this sounds but a sponsor who syndicates a certain type of property with a certain sponsor meta-business model but at the same time personally invests in other non-syndication-based deals is not practicing the principle of “no cherry picking”. Great exemplars of this principle are both Sperry Equities and Rancon. You will not find many real estate assets individually owned by Dan Stephenson, founder

of Rancon or by Rand Sperry, Burton Young and Jack Carroll, founders of Sperry Equities, LLC.

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Best Practice #10: Allocate Half of Offering

As a sponsor launches its Wholesale Placement Platform the sponsor must guarantee its selling group that X% of its new offerings are open to selling group members.

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Best Practice #11: Include Placement Process Language in PPMs

For all of my clients, I recommend they include the following placement process language in their PPMs:

“(1) Amounts shown are proceeds raised before deducting professional services (“**Professional Services**”), offering costs (“**Offering Costs**”), and organizational costs (“**Organizational Costs**”) incurred in connection with the organization of the Company including marketing, printing and other Manager operating costs and expenses directly and indirectly related to organizing the Company. See

section titled **Use of Proceeds**. The Company intends to sell the Offering through its own best efforts. The Company reserves the right to contract with either one or more investment bankers (“**Investment Bankers**”), broker-dealers (“**Broker-Dealers**”), or duly registered crowdfunding companies (“**Crowdfunding Companies**”) for corporate advisory and/or placement services (“**Placement Services**”); provided the Investment Bankers, Broker-Dealers, and Crowdfunding Companies (collectively referred to as “**Placement Agents**”) are licensed (if they have to be) in compliance with the Financial Industry Regulatory Authority (“**FINRA**”) and crowdfunding regulations (“**Crowdfunding Regulations**”). Such Placement Agents will be paid due diligence, placement fees, non-accountable expenses, trailer fees and/or a percentage interest in the Manager’s participation interest in Company’s operating, refinance and/or sale of the Property proceeds (collectively referred to as “**Placement Fee**”). The Company may contract with wholesaling firms (“**Wholesalers**”) to introduce the Company to Placement Agents. Such Wholesalers may be paid wholesaling fees and non-accountable expenses (“**Wholesaling Fee**”) through this Offering. The exact amount of these Placement Fees and Wholesaling Fees cannot be determined at this time. The Offering size may be increased by the Manager in order for the Company to have the capital to pay the above-described Placement Fees and Wholesaling Fees.”

The main reasons for the above Placement Process language is twofold. First, it makes my clients’ offerings broker-dealer ready. As such, the investors that the sponsor is raising capital from using Direct Placement Platforms 1.0 and 2.0 will see that the sponsor can raise capital elsewhere. When investors feel “lost opportunity”—they feel the need to not miss an opportunity that could be oversubscribed. Secondly,

this language sets the offering up for possible broker-dealers, RIAs and family offices. Original investors cannot claim later on “fraud” or “misrepresentation” when and if the sponsor increases capitalization in order to have the front-end load to pay broker-dealer commissions and expenses.

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SCORING WHOLESALE PLACEMENT PLATFORM BEST PRACTICES

How Many A Boxes Checked	_____	X	9.1	=	_____
How Many B Boxes Checked	_____	X	4.5	=	_____
How Many C Boxes Checked	_____	X	0	=	_____
			TOTAL		_____

If your score is 70 or above, you have right now the “will” to follow most of these Wholesale Placement Platform Best Practices. With the “will” in place, the “way” will be found. That’s the purpose of this textbook. If your score is below 70, don’t be discouraged. The remaining chapters of our textbook will surely provide the insights you need for aligning your “will” and “way” with these Wholesale Placement Platform Best Practices.

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. Bill 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. Greg's meta-business model was the Development Sponsor Model (see Chapter 1). Morgan Enterprises and Holt Homes served as co-managers on residential and commercial development projects spanning 10 years.

At the same time, Morgan Enterprises syndicated agricultural projects. Bill relied on direct Placement Sources/Strategies #2 (Finders' Process) and #13 (Foreign Investor Processes). In these 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’ “background economics” strength that sold these large investors on Morgan Enterprises and its geographical area—Visalia, California. As of January 2025, Morgan Enterprises’ track record includes 19 value-add syndications and 59 development/build and flip syndications. The company continues to syndicate residential, commercial and agricultural properties with SPOs. In the planning stages is Morgan Enterprises first BPO with institutional investors.

The last page of our textbook (page 438) reviews four “must have” resources offered by my law firm—Syndication Law Group (“SLG”) . These four resources were developed to complement your Placement Processes and your tactics and tools (see Appendices) .