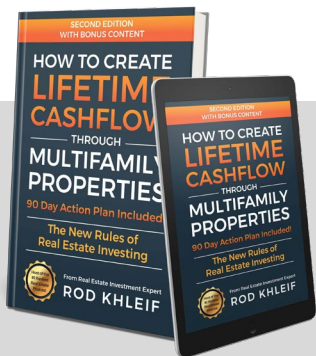


THE MULTIFAMILY BOOTCAMP

**Thank you for
investing in
your future!**



Rod Khleif

**Author Of The #1 Best Selling
Book: *How to Create Lifetime
CashFlow Through Multifamily
Properties***

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About the Author

Rod Khleif is a passionate real estate investor who has personally owned and managed over 2,000 properties. As one of the country's top real estate, business, and peak performance luminaries, Rod has also built over 27 businesses in his 44-year business career several which have been worth tens of millions of dollars.

A compelling rags-to-riches-to-rags-to-riches story, Khleif soared from humble beginnings as a young, impoverished Dutch immigrant to incredible success. Rod's experience involves both remarkable triumphs, and spectacular failures, which he affectionately calls "seminars." Rod brings incredible authenticity and insight to his approach to business, success and life.

Rod loves training and coaching the "psychology of success" to aspiring real estate investors and entrepreneurs.

Rod Khleif has combined his passion for real estate investing with his personal philosophy of goal setting, envisioning, and manifesting success to become one of America's top real estate investment and high-performance life coaches.

As an accomplished entrepreneur and business owner, Rod has built several successful multi-million-dollar businesses. But ask him what he is most proud of, and he will tell you about his work as a community philanthropist.

Giving back to the community is a major passion for Rod. He is founder and long-serving president of the Tiny Hands Foundation, a children's charitable foundation that leads several annual community charitable initiatives including: Back-to-School Backpack Brigade, provides thousands of new Backpacks filled with school supplies to community school children in need. Teddy Bear Brigade, provides thousands of Teddy Bears for community police department patrol cars to be given out by police officers to comfort children in distress. Holiday Basket Brigade, provides thousands of Holiday Gift Baskets filled with food and Christmas toys to community children and families in need. Over the past 22 years Rod's work has helped more than 130,000 underprivileged community children.

Dear Friend,

Congratulations on taking action towards your dreams! This weekend will start your journey towards creating the life you deserve. Like any new endeavor, this business will require you to roll up your sleeves and take action.

I am deeply grateful you have taken time out of your busy life to spend some time with me and that you have allowed me to play a small role in your quest for financial freedom.

So many people spend their time and money to learn the technical pieces of a business like real estate investing and then never take action with the knowledge they learned. If you've listened to my podcast or read any of my materials, then you realize my commitment to the "psychology of success." You are aware that 80 to 90% of your success in any business, including multifamily real estate is your psychology and mindset. That is why I will spend some time during this event focused on helping you identify what it is you want, and help you in pushing through any fear you may have of taking action. It is my belief that helping you towards taking action, making decisions, and pushing through fears is foundational and even more important than the real estate knowledge you will receive from this event.

You will also come to understand my belief that your energy is foundational to your success in life and business. We will focus on maintaining high levels of energy during our time together. The energy you bring to any interaction, is what will dictate your success. Every successful person I've ever met is inspired and brings their passion to their relationships and interactions. Their passion equates to their ability to influence which is a critical component of success. Energy is what drives that inspiration and passion.

Thank you for your trust in me.

Rod Khleif

Rod Khleif



The
Lifetime CashFlow
Academy

THE MULTIFAMILY BOOTCAMP COURSE MANUAL



Join Me on Social Media!



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Instagram rod_khleif



Facebook RodKhleifOfficial



Linkedin rodkhleif



Twitter @RodKhleif



YouTube Rod Khleif

And if you haven't already, join my closed Facebook Group which has over 49,000+ active multifamily investors, you will be glad you did.

MultifamilyCommunity.com



Earnings and Income Disclaimer

We don't believe in "get rich" programs – only in hard work, adding value, building a real and professional career, and serving others with excellence. Our programs are intended to teach you how to purchase Multifamily properties. Our programs take a lot of work and discipline just like any worthwhile endeavor or professional continuing education program. Please don't enroll in our programs if you believe in the "money for nothing get rich quick" myth or ideology; we only want serious people dedicated to real professional development. As stipulated by law, KL Promotions LLC, Lifetime Cash Flow Academy LLC nor Rod Khleif can not and do not make any guarantees about your ability to get results or earn any money with our ideas, information, tools or strategies. We don't know you and, besides, your results in life are up to you. Agreed? We just want to help by giving great content, direction, and strategies.

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GOAL SETTING

“If you can dream it, you can do it. Always remember this whole thing was started by a mouse.”

Walt Disney

“If you’re going to dream anyway, dream big.”

Rod Khleif

“Your time is limited; don’t waste it living someone else’s life. Don’t be trapped by dogma, which is living the result of other people’s thinking. Don’t let the noise of other’s opinion drown out your own inner voice. And most important, have the courage to follow your heart and intuition, they somehow already know what you truly want to become.”

Steve Jobs

“Visualize your dreams daily as if you already have them.”

Rod Khleif

“People with clear, written goals accomplish far more in a shorter period of time that people without them can ever imagine.”

Brian Tracy

“Clarity is Power.”

Tony Robbins

Goal Setting from a Place of Power

It is **VERY** important to be in a high energy, well hydrated, positive state! Take lots of deep breaths and move around occasionally to keep your energy high.

GET EXCITED!

#1: Write down every goal you would like to accomplish in your lifetime! Include ANYTHING you want to do, be, share, create, have, and give. Include financial goals, physical goals, relationship goals, things to help others, anything you want to learn, enjoy, or do. Don't put any limits on this. Go crazy! Be sure to keep your pen moving as fast as possible!

EXERCISE

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EXERCISE

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EXERCISE

#2: When you are finished go through your list and write down the number of years it will take to achieve each individual goal: 1, 3, 5, 10, or 20 years. Don't overthink this...Just your best guess

#3: Circle your juiciest most exciting goal and your top three one-year goals and list them below. What are the top four goals that if you could achieve them would get you out of bed early and keep you up late with excitement?

The #1 Lifetime Goal that juices you the most:

Why?

#2 Your top one-year goal:

Why?

#3 One-year Goal:

Why?

#4 One-year Goal:

Why?

#4: For each of these goals, go back and write a paragraph underneath each one **WHY** they are a **MUST** for you to achieve them. Write positive reasons why and negative reasons why you must obtain these outcomes. **Remember....it is your WHY that will drive you!**

Never write a goal without scheduling it!

#5: Write one **small** thing you will do **immediately** towards achieving each one of your top goals.

1.

2.

3.

4.

#6: Write one **big** thing you will do **immediately** towards achieving each one of your top goals.

1.

2.

3.

4.

“If you don’t work your dream, someone will hire you to work theirs.”

-Tony Gaskins

“Knowledge + Massive Action = Success.”

-Rod Khleif

THE MULTIFAMILY BOOTCAMP

Why this Business is Awesome!

Ways to make money in Multifamily Investing

1. Cash Flow
2. Appreciation
3. Principle reduction
4. Acquisition fees
5. Asset management fees
6. Property management fees
7. Depreciation and other tax benefits

Achieve Your Goals FAST

For example, say you want income of **\$20,000** per month

\$200 cash flow per unit per month

\$2,400 cash flow per unit per year

You need 100 units to achieve your goal

(if you owned individually. If purchased with partners, you would adjust accordingly)

The Multifamily Investing Process



Establishing Your Investment Criteria

INVESTMENT CRITERIA SHOULD INCLUDE:

- Size
- Location (area)
- Class
- Type of area
- Yield Play or value add
- Price range

NEEDED FOR:

- Credibility with Brokers
- Credibility with Sellers
- Credibility with Investors
- Staying on Track
- Becoming an Expert in a Market

“Focus is Power.”

-Rod Khleif

OTHER THINGS TO TAKE INTO CONSIDERATION WHEN ESTABLISHING YOUR CRITERIA

- Initial investment
- Management
- Loans that are available
- Target area...how far from where you live?
- How much time you have
- Your resources

SELF-EVALUATION

- What real estate experience you have, even if it's buying your primary residence
- Your current financial status?
- Current employment status?
- How many hours do you work a week?
- How much time can you dedicate to investing a week?

“The gap between your reality and your dreams is massive action.”

-Rod Khleif

WHAT IS YOUR RISK TOLERANCE?

- Are you Conservative or Aggressive?
- You can't have an employee mindset
- Must be a business mindset
- Remember Multifamily is less subjective....
- It is more empirical
- Your investor identity will change as you mature in this business
- You may start smaller and then move into larger

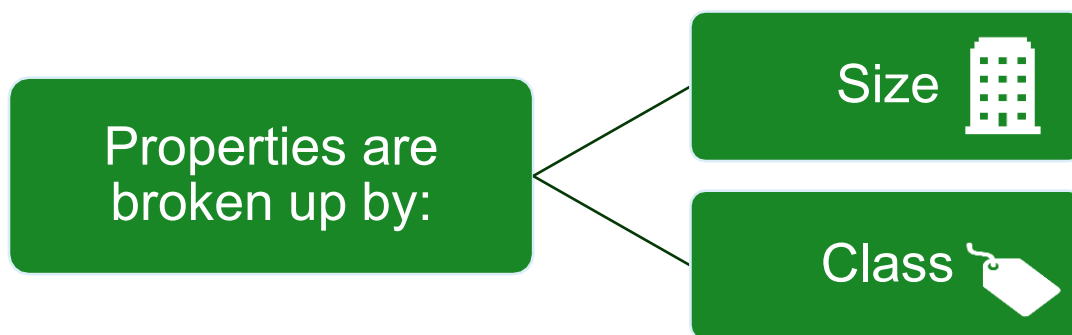
SELF-EVALUATION (CONTINUED)

- How is your credit?
- What is your net worth?
- Investment capital
- Possible potential Investors
- Family/friends
- Mentor or Coach that can help guide you

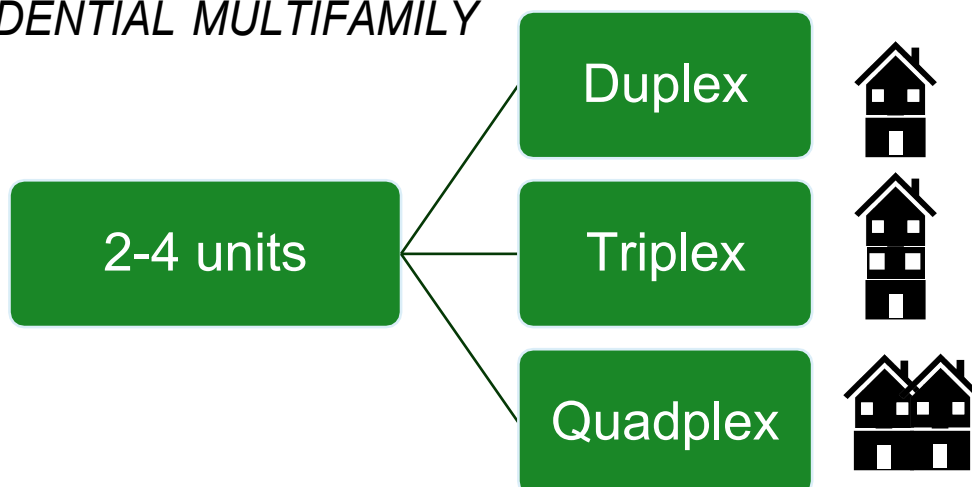
“Your desire to change must be stronger than your desire for comfort.”

-Rod Khleif

WHAT TYPE AND SIZE OF MULTIFAMILY WILL YOU TARGET?



RESIDENTIAL MULTIFAMILY



ADVANTAGES OF 2-4 UNIT PROPERTIES

- Less intimidating
- Mentally it's often easier to start small
- If you make a mistake, it's smaller
- Residential Lending
- Low Down Payment Options
- Lower Interest Rates
- Long Term Fully Amortized Financing



POTENTIAL CHALLENGES OF 2-4 UNIT RESIDENTIAL MULTIFAMILY

- Sometimes more competitive
- Cant ramp value and force appreciation
- Harder to achieve economies of scale
- More management intensive

COMMERCIAL PROPERTIES

- 5 units and greater
- Valued based upon NOI
- Value is based on Net Operating Income
- Economies of scale
- Can be large enough to outsource day to day operations
- If large enough.... can hire onsite management

“Every week has 7 days and ‘someday’ isn’t one of them.”

-Unknown

BUILDING YOUR TEAM

"The quality of your life is a direct reflection of the expectations of your peer group. Choose your peers wisely."

-Tony Robbins

"If you want to be a massive success in any business, including real estate, you will need a team of people. Become a hunter of talent and a master delegator."

-Rod Khleif

"Associate yourself with people at a higher level."

-Rod Khleif

"If you want to be truly happy, help other people be happy."

-Rod Khleif

"If I would have listened to the naysayers, I would still be in the Austrian Alps yodeling."

-Arnold Schwarzenegger

Building Your Team

PROPERTY MANAGER

- Manage same size and class of properties you're targeting
- Have office, or regional manager in well located in area
- Embraced technology (mobile web presence)

COMMERCIAL REAL ESTATE BROKERS

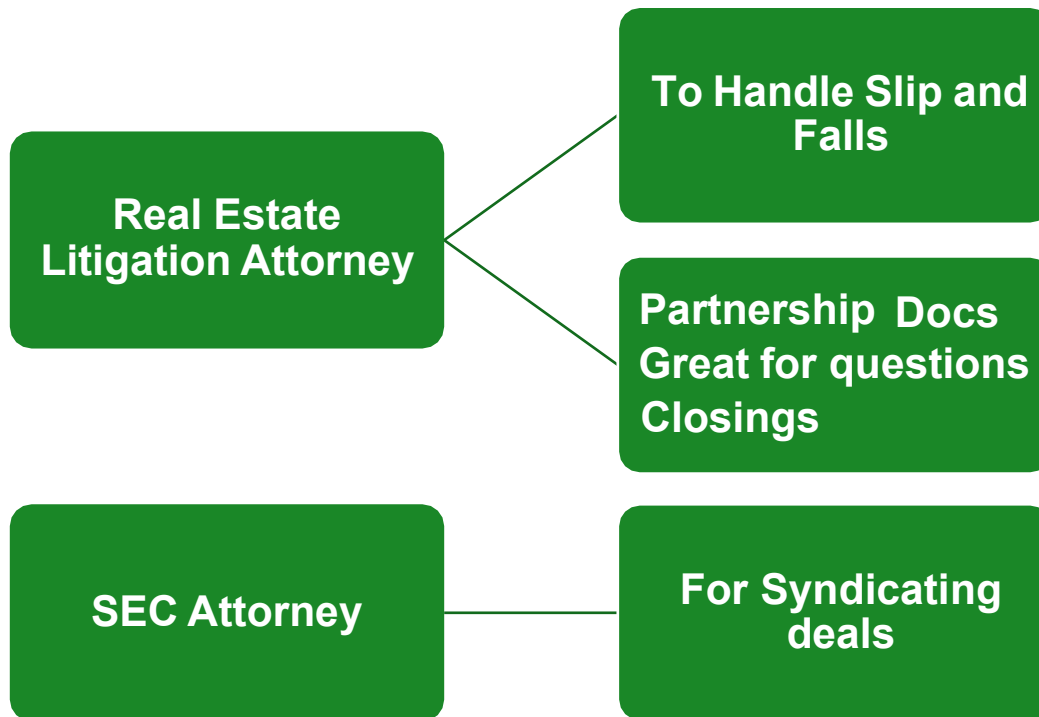
- You want brokers that specialize in the size and type of apartments you're targeting
- As a newbie the best brokers are often the youngest and most motivated who will work the hardest to get deals
- Deep relationships

“A deep respectful two-way relationship with a great commercial real estate broker can make you wealthy.”

-Rod Khleif

REAL ESTATE ATTORNEY

- Attorney who specializes in commercial real estate
- One that owns their own commercial real estate is even better
- Always have contracts reviewed



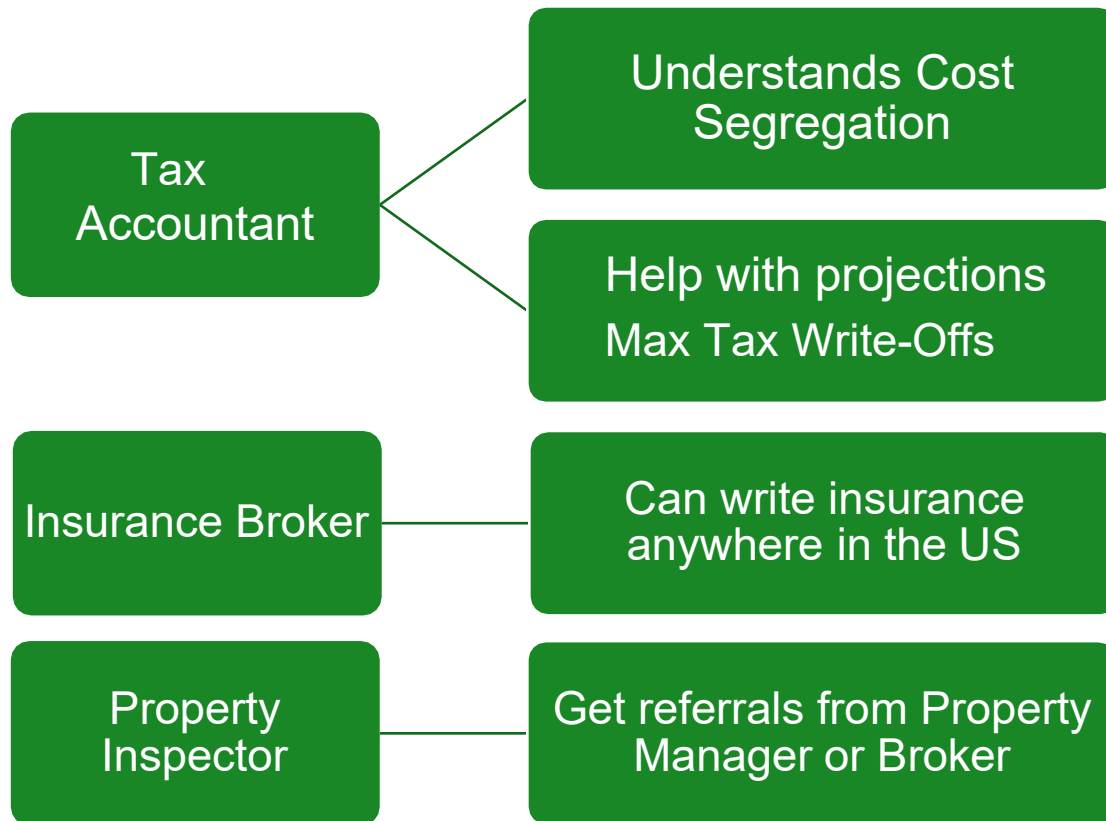
COMMERCIAL LENDERS

- Commercial bankers and brokers
- For small apartments local and regional banks
- For larger loans on larger assets good commercial lending broker for conforming and bridge debt

“You are personally responsible for the energy you bring to every interaction.....bring the passion.”

-Rod Khleif

Other Team Members



ADVANTAGES OF CREATING A PARTNERSHIP FOR YOUR MULTIFAMILY INVESTING

- You can divide up the responsibilities
- Combine an analytical person with an outgoing personality
- Help you reach out to investors for equity
- Help you obtain financing. Strength in numbers

PARTNER CONSIDERATIONS

“The voice inside you that whispers, this feels right, or this feels wrong.....Trust it”

- A partnership is a like a marriage. You can't fire them
- Trust your intuition
- You want complimentary skill sets. You do NOT want to be alike!
- Try to explore their past work ethic
- Have the difficult conversations up front!
- What happens if things don't work out
- Exit plan for death or dissolution (buy / sell)
- Who is responsible for what duties?
- How is decision making handled?
- Salaries, if any

PARTNERS AND INVESTORS: JOINT VENTURES VS. SYNDICATION

- **Joint Venture:** Members take part in management, sign on debt etc.
- **Syndication:** Members do not take part in management and it becomes a security and subject to SEC rules

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EQUITY INVESTORS

(Equity = Down payment + up front monies for closing costs + cap X)

- Get a piece of the equity in the deal
- Get their proportionate share of cash flow and profits from sale
- The split between you and your Equity Partners is determined by the numbers of the deal
- Possibly stay in the deal if you refinance

FUNDING SOURCES FOR EQUITY

\$ Friends and Family

\$ Credit Cards

\$ Equity LOC

\$ Self-directed IRA's

\$ Private Money from Investors

\$ Hard Money

\$ Crowd Funding

\$ Family Offices

**(Recommend
higher minimum
investments.
IE: \$50K plus)**

DEBT INVESTOR

- They do not receive equity
- They are like a bank
- More difficult to raise debt than equity. (people like upside)
- Can refinance them out of the deal

(Paid in full upon refinance or sale)

“When is the best time to start making relationships and raising money? ‘NOW!’”

-Rod Khleif

How to Find Investors / Partners

- Everywhere people gather and meet
- Church
- Sporting Events
- Health Club
- Meetup Groups (create your own)
- REIA Meetings
- Networking Events
- Prepare Real Estate Investing Presentations for Groups

?

(Become a great asker of questions)

ELEVATOR PITCH (WHAT DO YOU DO?)

“I’m investing in Multifamily Properties in markets that are economically growing. We look for properties we can add value to and force appreciation. Who do you know that might be interested in partnering with me or investing?”

Or: “We help people like you invest in multifamily properties”

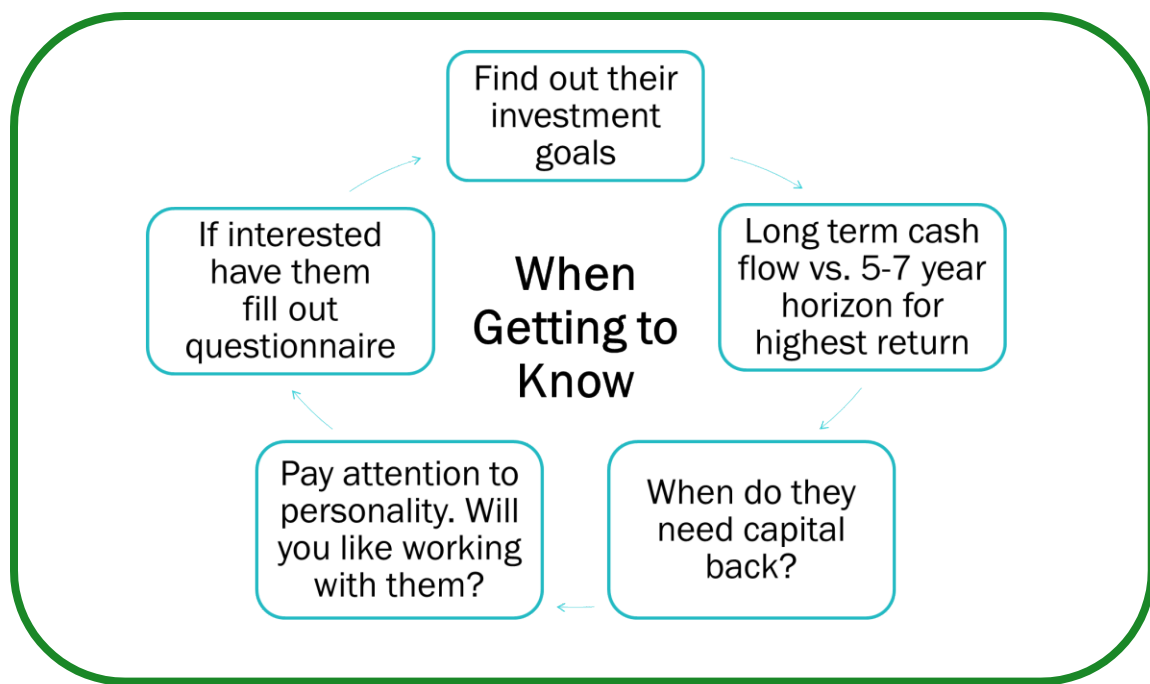
Or: We put together groups of investors to buy multifamily properties.

“If they will hold still long enough.... they should know what you do.”

-Rod Khleif

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PRIVATE MONEY FROM INVESTORS

- Remember managing your investors is usually harder than managing the asset. (property)
- If they nitpick about your acquisition or other fees get rid of them. "If you're more worried about what I'm making than what you are then this probably isn't a good fit."

Nurturing Relationships with Investors

Must keep your investors warm with monthly contact



Phone calls



Emails



Newsletters



Articles touting the area you're targeting



Group meetings



Powerpoint presentations



Gifts

BRAND YOURSELF

- Pick a Company Name
- Ending in: (Holdings, Group, Equity, Capital, Properties, Partners)
- Check name with:
 - Secretary of State
 - Godaddy.com for domain name
 - Do Trademark search at USPTO.Gov
- Logo
- Create Website
- Business Cards

Create Reach!

- Facebook
- LinkedIn
- Instagram
- Facebook Groups
- Youtube Channel
- Meetup Group
- Twitter
- Podcasts
- Tik Tok



NOTES

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CLASSIFICATIONS OF PROPERTIES

CLASS A PROPERTIES

- Premier/Luxury
- Most expensive per unit
- Typically, \$250,000 per unit
- Newest and most modern
- Constructed within past 10 years
- Properties over 10 years have been substantially renovated and updated
- High quality and modern construction
- Energy efficient
- Excellent location
- Amenities

*POOL, GYM,
ATTRACTIVE OFFICE*



CLASS B PROPERTIES

- Serves middle income tenants
- Can vary greatly
- Constructed within last 15-30 years
- Very good functionality
- Little deferred maintenance
- Good quality modern construction
- Good quality landscaping
- Located in stable neighborhoods
- Often has amenities



CLASS C PROPERTIES

- Constructed within last 30-50 years
- Average to low functionality
- Typically, outdated and in need of remodel
- Less amenities
- Location could be in stable or declining area
- Typically, good rental rates
- Average vacancy
- Average appreciation

CLASS D PROPERTIES

- Roughest properties
- Violence, drugs, prostitution
- Constructed in last 30-100 years
- Extreme functional obsolescence
- Poor construction with poor materials
- Poor condition
- Bad location in roughest parts of town
- No amenities



WHAT WE TARGET

We like C properties in B areas
Or
We like B properties in A areas

"Move fast, A sense of urgency is the one thing you can develop that will separate you from everyone else."

-Brian Tracy

Selecting Your Initial Markets to Evaluate

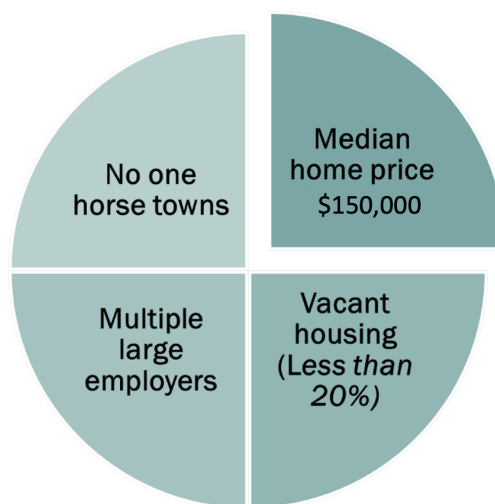
4 INITIAL MARKETS TO CONSIDER

1. Your backyard (2 hour drive any direction)
2. A place you know well, often where you grew up
3. A place with boots on the ground
4. A place you want to retire

WHAT TO LOOK FOR IN A MARKET

- Population Growth
- Income Growth
- Job/Employment Growth

ADDITIONAL MARKET CONSIDERATIONS



CITY INFRASTRUCTURE

- Ideally minimum 100K population
- Like an airport with one major carrier
- Has a highway that runs through it
- Shopping Hub area

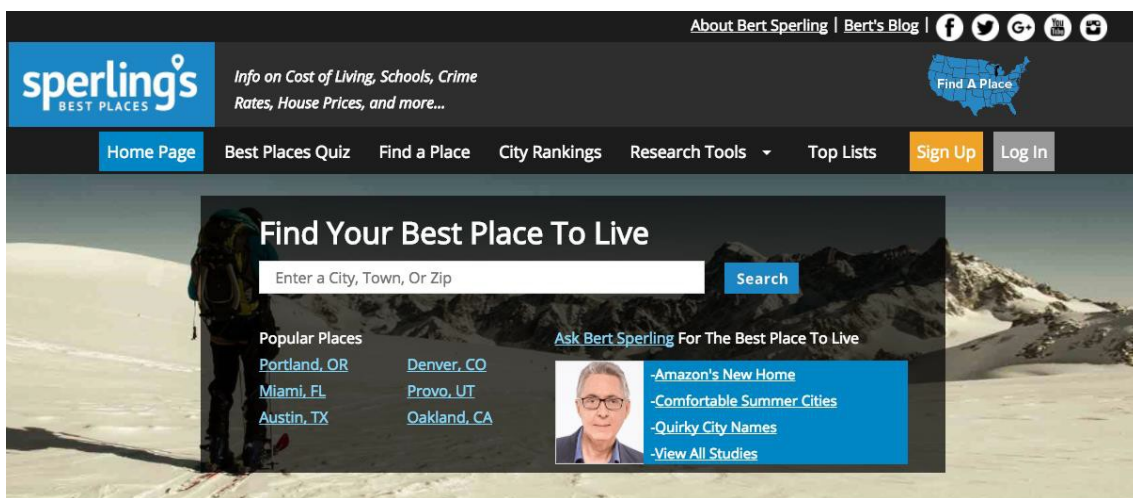
FOUR WEBSITES TO CHECK DEMOGRAPHICS

www.Census.gov

www.City-Data.com

www.BestPlaces.net

www.DataUSA.IO



COMPARE CITIES

WELCOME

AMAZON'S NEW HOME

Tampa, Florida

★★★★★

158 Reviews | [Review This Place](#) | [Photos and Maps](#)

Population

368,087

+10.4% since 2010

Median Income

\$43,740

Median Age

35.6

Unemployment Rate

3.6%

Median Home Price

\$219,400

Comfort Index (Climate)

6.8/10

CATEGORIES
Overview
Cost of Living
Real Estate
Job Market
Crime
Climate
Weather
School Ratings
Education Stats
Economy

Best Places to Live in Tampa, Florida

Large-city complex - Central Florida Gulf Coast at Tampa Bay. November, April and March are the most pleasant months in Tampa, while August and July are the least comfortable months.

Pros	Cons
+ Strengthening economy	- Hot, humid summers
+ Winter climate	- Growth and sprawl
+ Attractive downtown areas	- Violent crime

HOUSING	Tampa, Florida	United States
Median Home Age	39	40
Median Home Cost	\$219,400	\$231,200
Home Appr. Last 12 months	9.2%	6.7%
Home Appr. Last 5 yrs.	81.1%	35.6%
Home Appr. Last 10 yrs.	47.3%	27.4%
Property Tax Rate	\$8.62	\$11.78
Property Taxes Paid	\$1,891	\$2,724
Homes Owned	42.9%	56.0%
Housing Vacant	11.1%	12.2%
Homes Rented	46.0%	31.8%

Bradenton, Florida



[32 Reviews](#) | [Review This Place](#) | [Photos and Maps](#)

Population

53,654

+6.2% since 2010

Unemployment Rate

3.6%

Median Income

\$40,592

Median Home Price

\$241,600

Median Age

42.9

Comfort Index (Climate)

6.9/10

CATEGORIES

[Overview](#)

[Cost of Living](#)

[Real Estate](#)

[Job Market](#)

[Crime](#)

[Climate](#)

[Weather](#)

[School Ratings](#)

[Education Stats](#)

[Economy](#)

Best Places to Live in Bradenton, Florida

Resort-city complex - Central Florida Gulf Coast, starting 25 miles south of the Tampa–St. Petersburg area. November, April and March are the most pleasant months in Bradenton, while August and July are the least comfortable months.

Pros

+ Attractive setting

+ Historic interest

+ Leisure activities

Cons

- Cost of living

- Tourist impact

- Crime rates

HOUSING

Bradenton, Florida

United States

[Median Home Age](#)

36

40

[Median Home Cost](#)

\$241,600

\$231,200

[Home Appr. Last 12 months](#)

5.7%

6.7%

[Home Appr. Last 5 yrs.](#)

56.0%

35.6%

[Home Appr. Last 10 yrs.](#)

43.6%

27.4%

[Property Tax Rate](#)

\$8.68

\$11.78

[Property Taxes Paid](#)

\$2,097

\$2,724

[Homes Owned](#)

42.9%

56.0%

[Housing Vacant](#)

22.0%

12.2%

[Homes Rented](#)

35.1%

31.8%

FINDING DEALS

"Without a sense of urgency, desire loses it's value."

-Jim Rohn

"If you want something....Just go get it...period."

-The Pursuit of Happiness

"To be a success in business and in life you need to focus on your strengths and ideally delegate your weaknesses."

-Rod Khleif

"Take 100% responsibility for your life."

-Jim Rohn

"In the end we just regret the chances we didn't take."

-Lewis Carroll

"Speed of Implementation simply represents the speed at which you take action when you have an idea or desire. The quicker you ACT the more likely you will Achieve!"

-Embellished Minds

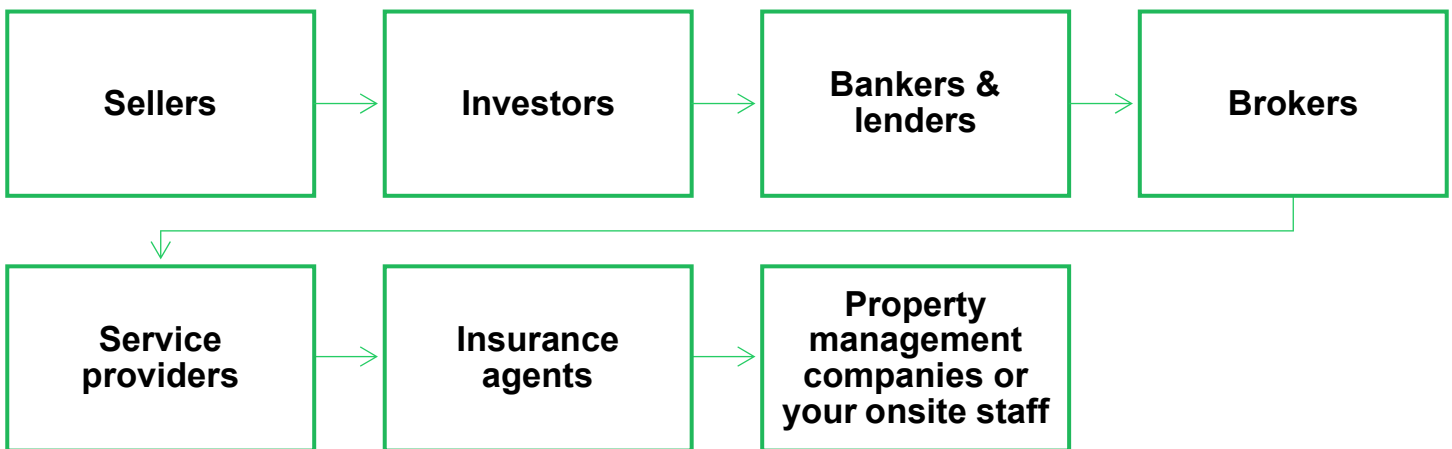
Mastering Consistent Deal Flow

THE IMPORTANCE OF BUILDING RELATIONSHIPS

- Real estate is a relationship driven business
- It's impossible and unnecessary to do it alone
- This is a team sport

**“Be A Problem Solver and Entrepreneur Not Just an Investor.”
-Rod Khleif**

YOU NEED RELATIONSHIPS WITH:



FOUNDATION OF A SUCCESSFUL BUSINESS RELATIONSHIP

- 1. Rapport**
- 2. Commonality**
- 3. Trust**
- 4. Respect**
- 5. Overall “I like this person”**
- 6. People only do business with those they like**

UTILIZING BROKERS

- One good broker can make you wealthy
- Focus only on multifamily brokers
- Ask the good ones to refer you to other team members

FINDING BROKERS - LoopNet

- Multifamily for sale
 - Find a broker who has several properties for sale
 - Can also reach out to large RK brokerage teams



SCRIPT

"Hello, my name is _____ , and I'm an investor out of "your city", how are you today?

I'm calling regarding one of your LoopNet listings. It's "Shady Oaks" ...Is that property still available?

Great, I want to see some more information on that. Before you send that, I do have a few quick questions. What's the story on this property? Why's it for sale?

Interesting, this sounds like it has potential. Here is my contact info:

Also, do you typically list properties similar to this one? My partners and my criteria are " _____ ", and we're currently looking to acquire several properties within the next year. Feel free to send anything similar, I'll be sure to get back to you as soon as possible."

VALUING BROKERS – FOLLOWING UP

- Most people never follow up
- Say why the deal didn't work for you
- Refresh their memory on your exact investment criteria
- Respect the broker's time

BROKERS – CONSISTENT COMMUNICATION

- Every few weeks email or call your broker(s)
- Maintaining the relationship is key
- How do you set yourself apart?
- Goal is to get off market deals

ONLINE SITES

- “LoopNet is the place deals go to die” (not true)
- Look for what others have missed
- Could you increase income or decrease expenses?
- What expenses are high?
- Management overpriced?
- Are the rents at the current market rate?
- What's the area's vacancy percentage?

LOOPNET

- Example: 24 unit near Tampa, FL
- Listed on LoopNet for almost 3 years
- Was being sold at a 6 Cap
- Didn't have any info or even rent amounts listed
- Very little info because sellers were in their 90's
- Determined rents were \$150 below market
- Expenses were very high
- Being overcharged on landscaping and maintenance
- Huge value opportunity overlooked by thousands



OTHER ONLINE SITES

- Other listing sites include
- City Feet (cityfeet.com)
- NAI Global (naiglobal.com)
- The Commercial Investment Multiple Listing Service (cimls.com)
- Broker sites that have a high volume of properties
- Marcus & Millichap (marcusmillichap.com)
- CBRE (cbre.us)
- Cushman and Wakefield (cushmanwakefield.com)
- Coldwell Banker Commercial (cbcworldwide.com)

BE ON THE LOOKOUT FOR:

- Abnormally low rents
- Abnormally high or low expense ratio
- Expenses missing
- Seller that has become increasingly motivated due to “stale” listing
- Very little information available
- The market’s vacancy percentage compared to subject property’s %
- Overpriced management

PROPERTY MANAGEMENT COMPANIES

- Property management companies speak with their multifamily owners at least once a month
- They also know the property better than anyone, including the owner
- The problem tenants
- The most common maintenance problems
- The best contractors
- When the owner wants to sell
- Know the “situation” of every owner and property

PROPERTY MANAGEMENT COMPANIES (CONTINUED)

- They know who wants to sell now
- They know who wants to sell soon (6 months – 2 years)
- They know who will always sell if the price is right

AUCTIONS

- Always listed significantly below market value
- Usually below replacement value
- This is by design to entice you to bid

FEW THINGS TO BE AWARE OF

- Properties sold as-is
- Sellers can hide defects
- No contingencies
- Need financing lined up prior
- Must have money ready prior
- Online and Onsite auctions and sometimes webcast

AUCTION HOUSES

- Biggest nationwide auction houses
- Auction.com / Ten-X (ten-x.com)
- Tranzon (tranzon.com)
- Treasury.gov/auctions
- Williams and Williams (williamsauction.com)
- Hudson and Marshall (hudsonandmarshall.com)
- Albert Burney (albertburney.com)
- Bill Fair & Company (billfair.com)
- J.P. King (jpking.com)
- Joe Roebuck (roebuckauctions.com)

TWO CATEGORIES OF AUCTIONS

Reserve auctions

- Minimum bid amount must be met

Absolute auctions

- Property will sell for whatever highest bid is

Does highest bidder always win?

- Yes, in absolute auctions
- In reserve auctions the seller can refuse it if it does not hit their minimum price

DIRECT MAIL

DIRECT MAIL

- Most well-known marketing method
- Best way to get mom and pops
- It's the most successful method for finding deals yourself

MOTIVATION

- Inherited property
- Management problems
- Divorce
- Retirement
- Out of state owner
- Pre-foreclosure
- Poor health

YOU CAN BUY YOUR LIST

- First American (firstam.com)
- Dunhill International List Co. (dunhills.com)
- Experian (experian.com)
- List Source (listsource.com)
- DM Database (dmdatabases.com)
- US Lead List (usleadlist.com)

BUILD YOUR OWN LIST

- County assessor's websites
- Go to netronline.com
- Click on public records Online
- This will give you a list of every county's assessor site

City to County Converter (?)
City / State:
 AK 
Convert

Zip to County Converter (?)
Zip Code:
 Convert

Foreclosures
Zip Code:
 Find!

PUBLIC RECORDS ONLINE DIRECTORY

Select a state from below or use our converter tools to begin your search.

The Public Records Online Directory is a Portal to official state web sites, and those Tax Assessors' and Recorders' offices that have developed web sites for the retrieval of available public records over the internet.

For example, some Recorders' offices have marriage and birth records available online. Although not every county and parish has data online, many have home pages, and where neither is available a phone number has been provided.



ILLINOIS PUBLIC RECORDS



The Land of Lincoln

Official State Website
Corporation / LLC Search

COUNTIES

- Adams
- Alexander
- Bond
- Boone
- Brown
- Bureau
- Calhoun
- Carroll
- Cass
- Champaign
- Christian
- Clark
- Clay
- Clinton
- Coles
- Cook
- Crawford
- Cumberland
- DeKalb
- De Witt
- Douglas
- DuPage
- Edgar
- Edwards
- Effingham
- Fayette
- Ford
- Franklin
- Fulton
- Gallatin
- Greene
- Grundy
- Hamilton
- Hancock
- Hardin
- Henderson
- Henry
- Iroquois
- Jackson
- Jasper
- Jefferson
- Jersey
- Jo Daviess
- Johnson
- Kane
- Kankakee
- Kendall
- Knox
- Lake
- La Salle
- Lawrence
- Lee
- Livingston
- Logan
- Macon
- Macoupin
- Madison
- Marion
- Marshall
- Mason
- Massac
- McDonough
- McHenry
- McLean
- Menard
- Mercer
- Monroe
- Montgomery
- Morgan
- Moultrie
- Ogle
- Peoria
- Perry
- Piatt
- Pike
- Pope
- Pulaski
- Putnam
- Randolph
- Richland
- Rock Island
- Saline
- Sangamon
- Schuyler
- Scott
- Shelby
- Stark
- St Clair
- Stephenson
- Tazewell
- Union
- Vermilion
- Wabash
- Warren
- Washington
- Wayne
- White
- Whiteside
- Will
- Williamson
- Winnebago
- Woodford

COOK COUNTY PUBLIC RECORDS



Illinois
The Land of Lincoln

Official State Website
Corporation / LLC Search

Name	Phone	Online	Report
Cook County Assessor	(312) 443 - 7550	Go to Data Online	Fix
Cook County Treasurer	(312) 443 - 5100	Go to Data Online	Fix
Mapping / GIS (City of Chicago)		Go to Data Online	Fix
Cook County Property Tax Portal		Go to Data Online	Fix
Cook County Clerk of Circuit Court	(312) 603 - 5031	Go to Data Online	Fix
Cook County Register of Deeds	(312) 603 - 5050	Go to Data Online	Fix
Cook County Mapping / GIS	(312) 603 - 1369	Go to Data Online	Fix

DIRECT MAIL

- Property size to search for at assessors
- Duplexes
- Triplexes
- Quads
- 5-10 unit
- 10-15
- 15-20
- 20 and up

0710 – Bed and Breakfast (Res Building) (1555)

0800 – Duplex (1554)

0801 – Two or More Houses (1554)

0803 – Multi-Family (3 to 9 Units) (1554)

0805 – House Plus Duplex (1554)

0864 – Uninhabitable Multi-Family (1554)(2014)

0300 – Multi-Family(10 or More Units) (1555)

0301 – Multi-Family(10orMore Un)Impr Only(1555)

DIRECT MAIL

GETTING AROUND LLC'S AND CORPS.

- Go to Secretary of State's website
- Locate online business search
- Will bring up copies of filed Articles of Organization and annual reporting
- Find name(s) of managing members
- Some LLC's are managed by attorney
- Search managing members names on free online searches such as White Pages or use paid skip tracing

THE LETTER

- Typed
- Can use mail merge
- One page
- Personalize by using owner name and address
- Put property address in first paragraph
- Put a picture of you and your spouse

POINTS YOU CAN PUT IN YOUR LETTER

- You could say you need a buy a property in 30 days
- You really love (town name) and want to buy there
- You can save them the real estate commission
- You can save them thousands of dollars in taxes.
- Give them multiple ways to respond
 - Phone, email, contact form on website, etc.

SAMPLE LETTER

Dear "Owner Name"

I'd like to speak to you immediately to discuss your apartment building at "___" address. We are in the process of finding a building to acquire within the next 30 days, and yours is an ideal candidate.

We can save you hundreds of thousands in taxes and real estate commissions. We can often pay full market price, and close quickly.

Time is limited, as we need to acquire a property within the next 30 days. If you have any interest, please contact me at your earliest convenience.

I look forward to hearing from you!

Sincerely,

Investor Smith

Contact info:

THE ENVELOPE

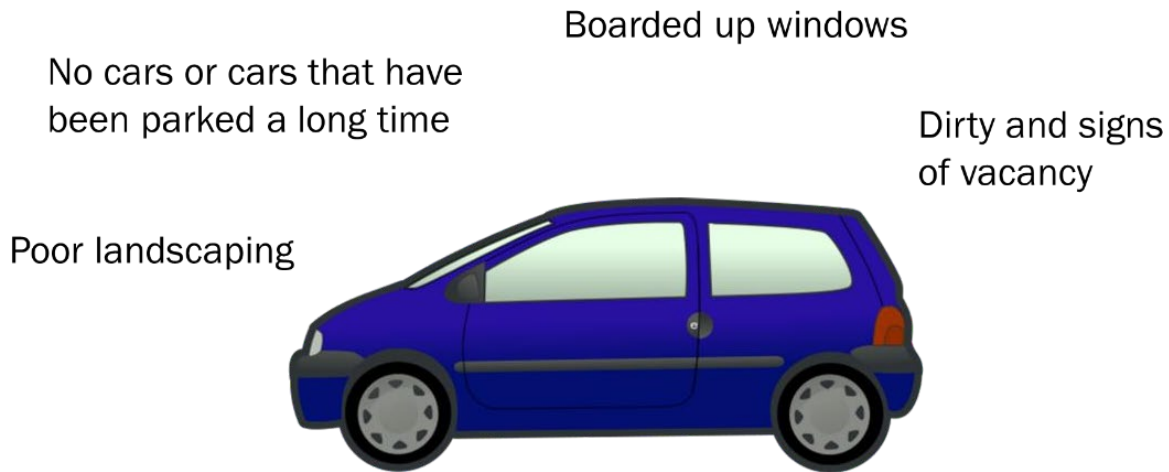
- Hand write all our envelopes
- Hire someone from Craigslist
- Stay at home moms or people from Virtual Assistants, or can run an add on Craigslist
- Companies that will do this as well
- Click2Mail
- ITI Direct Mail
- Lob

**A Secret to Success in this or any
Business is Being Willing to do
What Other People Won't**

REPETITION

We mail lists every 3 months

DRIVING FOR DOLLARS: WHAT TO LOOK FOR



COLD CALLING

- Better after sending letters
- Script in document library
- Do what other people are not willing to do
- Hire stay at home to set appointments

OTHER WAYS TO FIND DEALS

- Classified of Newspaper
- Mom and pop owners
- Smaller deals
- We found a 19 unit that only 2 people called

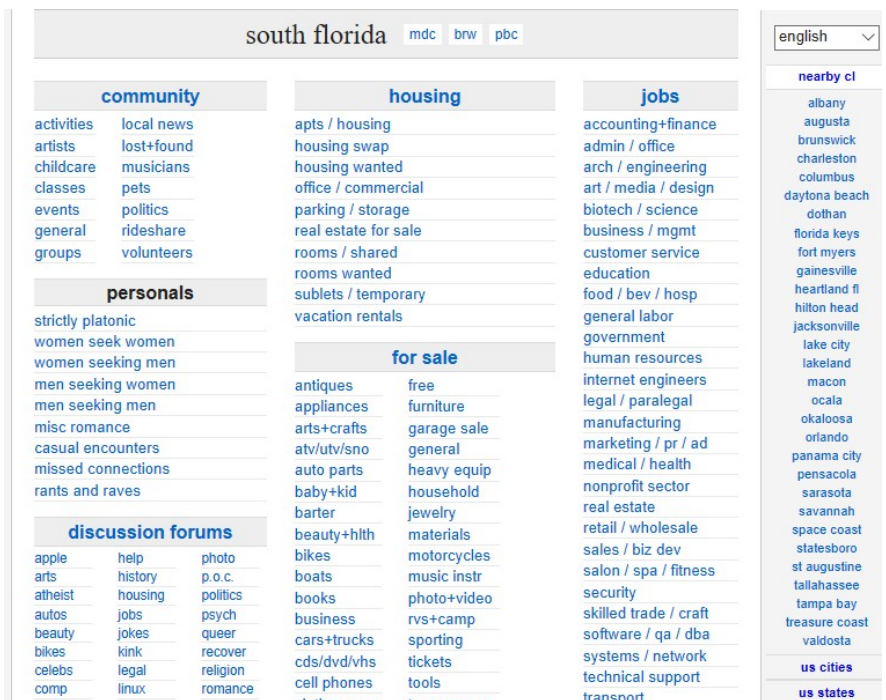
CRAIGSLIST

**CRAIGSLIST IS A
GREAT DEAL SOURCE**

- The ability to find hundreds of leads in just a few hours
- Only takes 10-15 minutes a day
- High quantity of mom and pops on the site
- Free!
- Literally works in basically every market
- Nobody looks for deals there anymore (except you)

3 METHODS TO MAXIMIZE SUCCESS ON CRAIGSLIST

- Reach out to properties in the for-sale section
- Post ads saying you buy multifamily properties
- Cold call “for rents”



REACH OUT TO PROPERTIES IN THE FOR-SALE SECTION

Craigslist Email Script

Hi, my name is _____. I'm sending this message regarding your duplex for sale at _____.

I'm a local real estate investor, and buy properties very similar to yours in the area. I'm highly interested and would love to get some more information from you regarding the property.

I would love to talk soon.

My contact info is:

POST ADS SAYING YOU BUY MULTIFAMILY PROPERTIES

- Focus on pain points:
- “Sick of dealing with problem tenants?”
- “Tired of late rent and evictions?”
- “Is your income property not producing any income?”

MLS/AGENTS

- A solid and reliable investor friendly agent is a great resource.
- Set some guidelines when getting started.
- First, you'll want to have them set up an alert for each multifamily property that hits the MLS.
- You'll next want them sending you anything that fits your criteria.
- Make an offer:
 - On all properties that fit your requirements for size, price range, number of units, etc.
 - On any foreclosures, HUD properties, bank owned, and short sales.
 - On any multifamily properties that are labeled "as is, vacant, and price reduction."

PROPERTIES WITH CODE VIOLATIONS OFTEN FLY UNDER THE RADAR

- These leads are often some of the most motivated sellers you can find.
- This strategy goes hand in hand with driving for dollars, as many properties with overgrown grass, are vacant, poorly taken care of etc. will have code violations as well.

TARGET OWNERS GOING THROUGH EVICTIONS

- You ideally need to go to the courthouse to get a feel for the local eviction climate
- Some information will be online, but most effective to have face time with the owners immediately after the case is finished
- Typically, evictions take place on the same day each week or month
- Attend the cases and start a conversation with the owner

NETWORKING WITH PROBATE ATTORNEYS

- Great way to get off market deals
- The best way to get the ball rolling with them is to call and ask if you can come in and have 10 minutes of their time

BUYING FROM BANKS

- Banks don't want properties on their books
- They are not in the real estate management business
- Set up relationships with local bankers
- You're a problem solver!
- Become their go-to guy/gal

Other Ways to Find Deals

- Service Companies who work in the industry
- Pool guy, window repair, landscaper
- Ask these guys if they know anyone who might be selling soon
- Sellers will say “I’m going to sell soon, we’ve got to make the place look better”
- Offer a finder’s fee

“There is no passion to be found in playing small; in settling for a life that is less than the one you are capable of living.”

-Nelson Mandela

Limiting Beliefs Exercise

Write out 3 negative beliefs or phrases that are limiting you and have held you back.

1 Negative Belief:

How has this negative belief already impacted your life?

2 Negative Belief:

How has this negative belief already impacted your life?

3 Negative Belief:

How has this negative belief already impacted your life?

“Courage doesn’t mean you don’t feel the fear....You just don’t let it stop you.”

Rod Khleif

EXERCISE

Replace the negative beliefs or phrases with something more positive and empowering. Often, this is just the opposite of the negative belief or phrase.

1.

2.

3.

EXAMPLES

Limiting Belief:	Replace with:
"I don't have time"	"I have all the time in the world. Time is the one thing that is equal –Everyone has 24 hours in a day. I MAKE time for anything I'm committed to."
"I don't have the money"	"I will make or find the money for anything I'm committed to. I am creative and resourceful, and I will always create a way to make whatever money I need. Money is everywhere!"
"I'm worried about failing!"	"Nobody ever fails unless they fail to learn.... I will learn and anything I give my total focus and energy to will flourish."
"I'm tired"	"I am energy and fired up! I know I can change how I feel and create energy in my body in any moment."

Morning Powerful, Positive and Empowering Questions

- 1. What am I most grateful about in my life now?*
- 2. Who Do I love?*
- 3. Who Loves me?*
- 4. What am I happy about in my life right now?*
- 5. What am I proud about in my life now?*
- 6. What am I excited about in my life now?*
- 7. What am I enjoying most in my life right now?*
- 8. What am I committed to accomplishing in my life right now?*

Evening Gratitude Questions

- 1. Who have I helped today?*
- 2. Who did I show love to today?*
- 3. Who am I grateful for today?*
- 4. What have I given today?*
- 5. What did I learn today?*

PRELIMINARY EVALUATION

PRELIMINARY EVALUATION WHAT ARE WE LOOKING FOR?

- High Vacancy
- Poor Management
- Below Market Rents
- Higher than normal expenses
- Lots of owner paid utilities/ability to bill back to tenants
- High Turnover (usually highest expense)
- Tired Landlord
- Has deferred maintenance/needs repairs

PRELIMINARY EVALUATION & RESEARCH

- Never work from broker's proforma
- Always work from "Actuals"
- Get the Trailing 12 months income and expenses
- Last two year's P&Ls
- Get the Rent Roll

WHEN YOU FIRST LOOK AT A DEAL, THE FIRST QUESTIONS YOU SHOULD ASK ARE:

1. Specific to the property:

- What is the property's age?
- What is the occupancy?
- Is the property stabilized with at least 90% occupancy?
- Overall condition?
- What is the expense ratio?
- Is the expense ratio greater than 45-50%?
- If expense ratio over 50% why? Is there a specific reason the expenses are so high?

WHEN YOU FIRST LOOK AT A DEAL, THE FIRST QUESTIONS YOU SHOULD ASK ARE: (CONTINUED)

- Are there any value-add or reposition opportunities?
- Will the NOI be sufficient to cover the debt service? (DSCR)
- Questions about the area?
- How's the location/area of the property?
- Crime?
- What is the condition of nearby similar properties?

UNIT MIX

- Best is having 1 one bedroom for every 2 two bedrooms
- If all one bedrooms be sure you have larger than normal unit sizes and at least two years historical low vacancies (90% or better)

Average Unit sizes:

- Studios 400-600 square feet
- 1 bedrooms 600-850 square feet
- 2 bedrooms 800-1100 square feet
- 3 bedrooms 1000 plus square feet

DETERMINING MARKET RENTS

- Apartments.com, Rentbits, Rentometer, Zillow
- Property Management companies
- Mystery shop/call comparable competitors
- Always Apples to Apples!
- Measure demand put an ad on Craigslist

GOOGLE EARTH

- Check Google Earth for the aerial view
- Is the property surrounded by houses?
- Or is the property surrounded by factories?
- Also check Street View
- Use Street View to walk up and down the street
- What types of businesses are nearby?
- What kind of cars in apartment's lot?

SAFETY



<https://Spotcrime.com>

EVALUATING WORST CASE SCENARIO

- What is the lowest monthly NOI the property has earned in the past 3-4 years?
- In that worst month, would you still cash flow with your new debt?
- What is DSCR?

UNSTABILIZED PROPERTY (REPAIR)

- Riskiest type of deal
- Occupancy will always go down before it goes back up
- Do careful, conservative break-even projections
- These fail when people run out of money or have the wrong project or property management
- If rehab is over \$5K per door – you will pay supervisory oversight of approx. 10%

MINOR REPOSITIONING A PROPERTY

- C or B property in B or improving C area with below mkt rents

Upgrade:

- Landscaping
- Signage
- Exterior Paint
- Parking Lot
- Cosmetic repairs to interiors of units
- \$5,000-\$6,000 per door
- Typical turnaround time 18-24 months
- If its' a beautiful asset, try to use debt partners you can refi out and use as a legacy property

“Get outside your comfort zone...that is where your amazing life is.”

-Rod Khleif

TYPE OF CONSTRUCTION

- Skin or Exterior:
- All brick
- Vinyl
- Wood (not great)
- Combination
- Stucco
- Masonite or T111 (re-skin)

***“If you’re not encountering obstacles or adversity
in your life...you’re really not trying”***

-Rod Khleif

My Personal Declaration of Success and Happiness

I declare:

Examples:

I Declare..... *I am wealthy with positive monthly cash flow. I have a strong, healthy savings account and I make the investments I want. I drive the cars I want, live in the house I want, wear what I want, travel where I want, and am very generous with my friends and in the community.*

I Declare.... *Every day is going to be an incredible day! I inspire and motivate those around me! I am actively completing the things that are both important short term AND long term. I am full of energy, have a clear mind, have plenty of time to complete my projects and feel healthy inside and out.*

I Declare... *I have the ability to choose. I CHOOSE to create energy, warmth, acceptance, productivity and good vibes.*

I Declare.... I am powerful beyond measure. I can create ANYTHING I set my mind on and I constantly tap into the divine power around me.

I Declare.... I am a loyal friend! I am kind to everyone. I am filled with light, knowledge and power. God, the creator of all things, is my Father and my personal mentor. He teaches me daily how to tap into inspiration and attract all good things. As I do this, I can create ANYTHING.

I Declare... I have amazing relationships with my wife and my family. I constantly go above and beyond with my wife and we have a legendary relationship—full of love and growth. I bring love and understanding, acceptance, and compassion into every interaction I have. I am filled with love always.

“As you say it so shall it be”

“Tie your happiness to goals....NOT the achievement of the goal....The process and progress you go through towards it's attainment... Who you become...”

-Rod Khleif

DEALING WITH SELLERS

- Build rapport
- Stay positive
- Smile
- Relax
- Help them to relax as well
- You want the seller to open up, let them talk
- Try to determine why they are selling
- Do not always assume that the sales price is the highest concern
- It may all have to do with timing

DEALING WITH SELLERS – QUESTIONS TO ASK

- Where is your property located?
- How many units do you have there?
- What is your unit mix? How many one bedrooms and two-bedroom units do you have?
- What are the rental amounts?
- How many are occupied?
- Who pays the utilities, you or the tenants?
- How much do you owe on the property?

- Do you know if your loan is assumable?
- How much are you asking for the property?
- If the seller refuses to answer reply by saying, “I need to have some sort of an idea from you so that I’m not wasting our time when I come out to look at the property. I am sure you can understand.”
- How soon are you looking to close?
- Why are you selling?
- What is your ultimate goal?
- What are you going to do if the property doesn't sell?
- Have you tried to sell it before?
- What have you done to try to sell it?
- How long has it been on the market?
- Why do you think it hasn’t sold?
- When you sell what do you plan to do with the proceeds?
- Have you thought about carrying back?

THE IMPORTANT QUESTION TO ASK

- If I would offer you all cash and close as quickly as possible, what would be the least amount that you would accept for the property?
- Regardless of answer
- Is that the best you can do?
- When could I come by and see it with you?

SELLER FINANCING STRATEGIES

- Can often lower down payments
- Can structure the deal very creatively
- Seller financing allows you to purchase properties that wouldn't be approved for traditional mortgages
- Non-stabilized
- Heavy repairs
- Won't show up on credit report
- Sending direct mail letters straight to mom and pops are great

Great candidates own over 20 yrs

- High equity
- Tax benefits have gone dry
- Will only be able to keep 65-70% after taxes if fully depreciated
- Still want cash flow
- Retirees will not reinvest sales proceeds in another high-risk investment
- Want to save thousands on broker commissions

THE IMPORTANCE OF SELLER BONDING

***“Do you want to be rich?
Solve problems!”***

-Rod Khleif

***“If you want to influence and be a
success, having positive energy and
passion is an absolute prerequisite.”***

-Rod Khleif

***“Some say you won't make it only
because they didn't make it.”***

-Anonymous

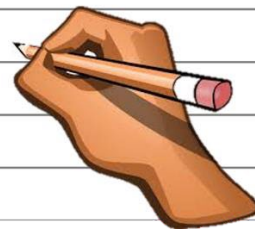
Key Financial Formulas

LOAN TO VALUE

- Loan to Value (LTV)
- Mortgage amount / property value = LTV
- Simply the ratio of how much banks will lend based on value
- You can expect to see banks loan anywhere from 70-80% on average

Loan-to-Value (LTV)

Mortgage Amount / Property Value = LTV



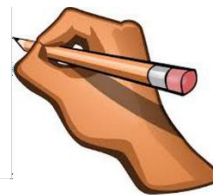
NET OPERATING INCOME - NOI

The most important

Net Operating Income (NOI)

Gross Income - Operating Expenses = NOI

(Does not include debt service)



CAPITALIZATION RATE- (CAP RATE)

- The Capitalization rate is the rate at which the NOI repays the purchase price on an annual basis
- The formula for calculating the capitalization rate can be expressed the following way:
- Capitalization rate = Net operating income / current market value
- If you have two of the variables you can solve for the other one

Capitalization Rate (Cap Rate)
Net Operating Income / Current Market Value = Cap Rate



CAP RATES ARE AFFECTED BY:

- Location of the property
- Overall market condition
- Supply and demand
- Investment risk
- Property appreciation
- Level of property management
- Tax benefits associated with the property

CAP RATES

- Class A & B properties have very low Cap Rates due to stability
- Low Cap rate means Large investment for small income stream
- D properties have high Cap Rates because they're risky. The higher the Cap Rate the cheaper the property
- Large Cap Rate means smaller investment for larger income stream
- Cap Rates don't take financing into consideration
- Based upon paying in cash

AVERAGE CAP RATES

Class A: 3% - 4%%

Class B: 4% - 5%%

Class C: 5% - 6%%

Class D: 8% and up

I like cap rates of 6% or better

U.S. Apartment Price and Cap Rate Trends



* Through 2Q
Includes sales \$1 million and greater
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

DETERMINING THE MARKET CAP RATE FOR A PROPERTY:

- Check recent sales on LoopNet
- Other investors
- Property managers
- Lenders
- Brokers
- Appraisers

$$\frac{I}{R / V} \\ (x)$$

I = Net Operating Income (NOI)

R = Cap Rate

V = Value or Sales Price



$$\text{NOI} / \text{Cap Rate} = \text{Value}$$

$$\text{NOI} / \text{Value} = \text{Cap Rate}$$

$$\text{Cap Rate} \times \text{Value} = \text{NOI}$$

OPERATING EXPENSE RATIO

- Operating Expense Ratio (OER)
- Operating expenses / gross income = OER
- You add up all the properties expenses and divide it into the gross income
- Rule of thumb around 50%

$$\text{Operating Expense Ratio} = \frac{\text{Operating Expenses}}{\text{Gross Income}}$$



CASH ON CASH RETURN

- Cash on Cash Return (COC)
- $(\text{NOI} - \text{Annual Debt Service}) / \text{Acquisition out of pocket costs including; equity, closing costs, and cap x}$
- COC gives a much more accurate figure on return
- Includes debt
- I like a COC of 8% or better

Example:

- Purchase Price = \$1,000,000
- Down Payment = 25% \$250,000
- Bank Loan = 75% \$750,000
- No repairs needed
- Cash Flow after debt = \$50,000
- Cash Flow of \$50,000 / cash investment of \$250,000 = **20%**
cash-on-cash return

INTERNAL RATE OF RETURN (IRR)

- IRR includes all returns to the investor over term of the investment.
- IRR is also called Total Return

IRR includes the benefits of three things:

1. Appreciation
2. Cash Flow
3. Principle reduction on debt

DEBT SERVICE COVERAGE RATIO

- Debt Service Coverage Ratio (DSCR)
- $\text{NOI} \div \text{Debt Service Payment} = \text{DSCR}$
- Used by lenders
- Bank wants to see a percentage of the NOI left over after the mortgage is paid
- Anything less than 1.25% debt service coverage and they probably won't approve the loan
- A DSCR of less than 1 means there's negative cash flow
- For example, a DSCR of .85 means the NOI can only cover 85% of the mortgage payments

Debt Service Coverage Ratio
NOI / Debt Service Payment = DSCR



ROD'S PREFERRED TARGET MINIMUMS

- | | | |
|--|--------------------------------------|--|
| 1
DSCR
We like at least 1.6 or higher. | 2
Cap rate of 6% or higher | 3
Cash on Cash Return 8% or Higher |
|--|--------------------------------------|--|

EXERCISE

- 1) If you are purchasing a 72-unit apartment complex for \$76,000/door and the bank is willing to lend you \$4,104,000, what is the LTV?
- 2) If you are refinancing a 118-unit apartment complex and the bank is going to lend you \$3,360,000 and the property appraisal came back at \$4.2MM, what is the LTV?
- 3) If you are looking at a property that generates \$100,000 in revenue and \$60,000 in operating expenses, what is the NOI?

EXERCISE

- 4) *If you own a property that yields a net operating income of \$1.8MM and has a top line gross income of \$3MM, how much are the operating expenses?*
- 5) *If you are looking at a building that shows \$320,000 NOI and you want to offer \$4MM, what is the cap rate on the offer?*
- 6) *If a property listing shows an NOI of \$1MM and the offering price is listed at \$16MM, what is the cap rate on the offer?*

EXERCISE

- 7) *If the market cap rate for a building you own is 6.7% and the net operating income is currently running at \$134,000, what is the current market value of the property?*
- 8) *If the NOI for a property you're looking at is \$55,000 and the property is listed for \$550,000, what is the cap rate on the property?*
- 9) *If you know the market cap rate in your area is 8% and the property you're looking at is listed for \$5MM, what would you expect to see for NOI?*

EXERCISE

10) *If a property you found shows a gross income of \$100,000 and operating expenses of \$30,000, what is the OER?*

11) *If you bring in \$520,000 in revenue with an existing property and spend \$234,000 in expense each year, what is your OER?*

EXERCISE

12) If you were in the following scenario, what would your COC return be? You are looking at purchasing a property for \$4.2MM, you plan to have \$300K in closing costs to cover, and the bank is going to lend you 75% of the value of the property. The bank has offered a loan at 5% with 30-year amortization. The current NOI on the property is \$320,000. After the monthly mortgage payments of \$16,909.88 (or \$202,918.56 annually), you will have \$117,081.44 left.

13) If you are underwriting a property that has \$56,000 NOI and the bank wants you to budget for \$4,500 for CAPEX reserves and the annual debt service is \$39,000, what is the DSCR?

14) If you are looking to buy a property with \$1.2MM NOI and no CAPEX reserves and your annual debt service is \$1,031,000, what is your DSCR?

<u>Normalizing Expenses</u>		
Income	Under 50 Units	50 Units +
Potential Gross Income	Total possible income if 100% occupied all year	Total possible income if 100% occupied all year
Vacancy/Concessions/Bad Debt	5-10% of Potential Gross Income	3-10% of Potential Gross Income
Other Income	Pet, Parking, Laundry, Etc.	Pet, Parking, Laundry, Etc.
Effective Gross Income	Gross income - vacancy/concessions/bad debt	Gross income - vacancy/concessions/bad debt
Expenses		
Administrative (does not include salaries)	Little to none, often non-existent or home office	\$250 a unit
Contract Services (landscaping, pool, pest control, etc.)	\$250 - \$450 per unit	\$250 - \$450 per unit
Insurance	Property by property basis	Property by property basis
Marketing / Advertising	\$50 - \$100	\$75 - \$150
Management Fee	5%-10%	If over 150 units 2.5%-5% of gross income
Repairs & Maintenance	\$500 - \$800 a unit	\$500 - \$800 a unit
Property Tax	Typically 75%-90% of purchase price x millage	Typically 75%-90% of purchase price x millage
Salaries (includes federal withholdings, taxes)	Variable Based on unit count & role	\$1,000 - \$1,500 per unit
Utilities (if all tenant paid utilities)	Varies based upon pool, clubhouse, etc.	For large communities up to \$500 a unit
Reserves (capex for roof, parking, updates,)	\$200 - \$400 a unit	\$200 - \$400 a unit

Overall Rule of Thumb: Operating expense ratio of 50% is typical for any size property. Stabilized with adequate CAPEX could reach 40%. If you see over 50% on TTM, usually means there's opportunity for efficiency.

Your Ideal Day:

Describe the perfect day that you are manifesting in your life. What you do from the moment you awake to when you go to sleep. Who do you spend time with? How do you spend your day? What do you enjoy? Who do you love? Who do you help? What amazing things are you doing?

Remember: Clarity is Power. See it and feel it.

***“Success is not the key to happiness...
Happiness is the key to success.”***

Albert Schweitzer

Multifamily Deal Analysis: 5 Steps to a Quick Assessment

There are four assumptions required prior to starting the quick assessment of a deal



Know Your Targets

Analyzing deal specifics require that target criteria are known:

- Return requirements
- Location
- Property Type
- Required Renovations
- Number of Doors



Know Basic Analysis

A quick assessment requires basic analysis skills including:

- How to research a market
- How to calculate NOI
- How to read a rent roll
- Spotting expense anomalies
- How to identify the cap rate



Have a Team in Place

Deal limitations are partially based on the team in place:

- Experience
- Liquidity
- Balance sheet
- Equity contribution



Build Credibility

Assessing a deal requires the ability to build credibility in the market:

- Knowing the right lingo
- Deal team experience
- Liquidity / Proof of Funds
- Managing broker roadblocks

The goal of the quick assessment is to identify weak links in the deal and to adjust the assessment accordingly

Identifying the weak link allows for deal assumptions to be adjusted based on the expectation that more work or attention will be required for the property. Possibilities include:

Financial Weak Links



Revenue



Expenses



Net Operating Income

Property Weak Links



Number of Doors



Property Condition



Macroeconomic Conditions



Broker / Seller Relationships

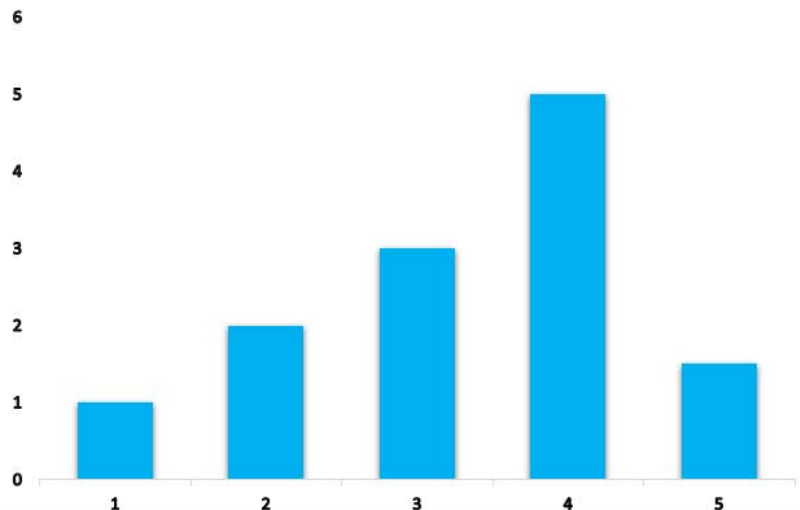


Completing a quick assessment is like creating a graph of different possible valuations. There are 5 steps:

Step Name

- 1 Super Quick Assessment
- 2 Calculate Net Operating Income
- 3 Consider the number of doors
- 4 Evaluate the condition of the property
- 5 Apply macroeconomic Considerations

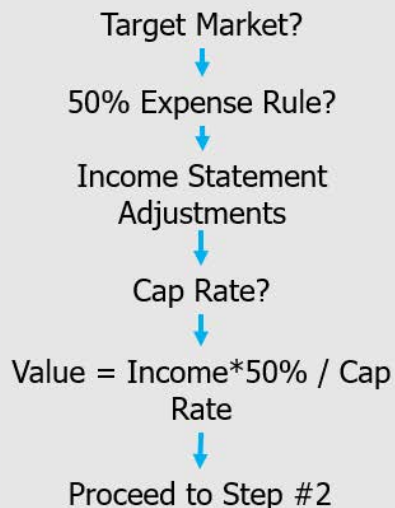
Valuation Graph¹



1 - For illustrative purposes only

Step 1: The "super quick assessment" provides the first value in the graph

Assessment Criteria



Assessment Consideration(s)

Is the property located in the desired market and sub-market?
Are total expenses ~50% of income?
Do adjustments need to be made to the income statement?
What is the cap rate's relationship to the market? Is it realistic?
If the property passes muster, proceed to step #2. Otherwise decline.

get from broker database. typically takes 150-200 analysis before 1 deal



Step Two: Calculating Net Operating Income provides a second frame of reference for value

Calculation Input

Gross Income

+

Other Income

**Gross Potential
Revenue**

Total Operating Expenses

Net Operating Income

Calculation Considerations

Use the broker number for the trailing 3 months

If there is a major source of "other income", include it

Equal to Gross Income plus Other Income

~\$4,500 per door. Make minor adjustments as needed

Equal to Gross potential revenue minus expenses

NOI / Cap
Rate = Value
#2



Step Three: Consider the number of doors within the context of your investment objectives. Adjust accordingly.

Value Calculation

Gross Potential Revenue

- Operating Expenses

+/- Exp. Adj. based on # of doors

= Net Operating Income

/ Cap Rate

Value
#3

Number of Door Considerations



Do the number of doors contribute to the ability to scale?



Are the number of doors in a new market or existing one?



Do you have a relationship with a property manager?



Are there cost savings or efficiencies to be gained?

RK Rod Khleif
MULTIFAMILY MASTERY

Step Four: Consider the property's condition and required CapEx assumptions. Adjust value accordingly.

Value Calculation

Gross Potential Revenue

- Operating Expenses

+/- Exp. Adj. based on Property Cond.

= Net Operating Income

/ Cap Rate

Value
#4

Property Condition Considerations



What is the age of the property?



Is a site visit possible?



Have there been recent renovations?



Are major systems in working order?



Can renovation costs be repaid within 36-months?

RK Rod Khleif
MULTIFAMILY MASTERY

Step Five: Adjust property assumptions based on the economic forecast for local market conditions

Value Calculation

Gross Potential Revenue

- Operating Expenses

+/- Exp. Adj. based on Economic Cond.

= Net Operating Income

/ Cap Rate

Value
#5

Economic Considerations



What is the population of the sub-market?



Does job/population growth support rent bumps?



Does surrounding retail indicate growth?



Does median income support rent growth?

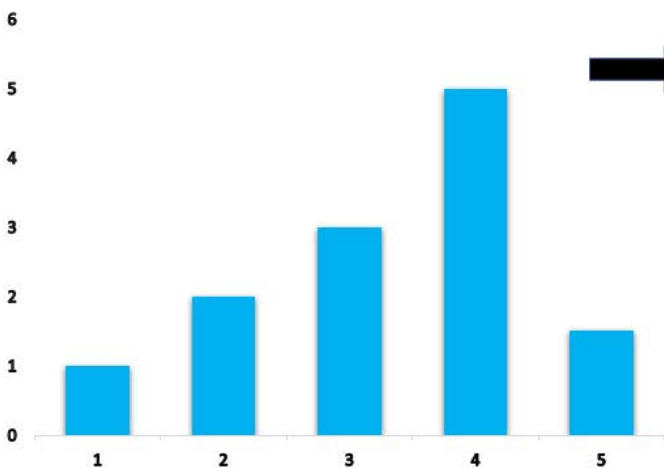


Are the rent/buy economics in favor of renting?

RK Rod Khleif
MULTIFAMILY MASTERY

By putting together a graph, patterns start to emerge. Consider them within context of your broker relationship

Valuation Graph¹



Broker Relationship Considerations



Is the broker experienced with multifamily deals?



Have you worked with the broker before?



Is the deal on market or off?

Within
10% - 15%?

Avg. of Values vs. Asking price?

RK Rod Khleif
MULTIFAMILY MASTERY

1 - For illustrative purposes only

Weekly Planning Success

- **Step #1** - Acknowledge your progress and success from the previous week, regardless how small.
- **Step #2** - Journal Magic moments from the week (at least 10 minutes per week)



Weekly Planning Success

The First Time you do this process you must create a list of the most important pieces of your life. This is a “Thinking or Impact” List. The areas of your life you can have the most impact.

- **#1** List people that matter the most to you. Should not be more than 20-30 people max.
- **#2** List important pieces of your W2 job or business that you need to think about weekly, so nothing gets dropped. (5-12 things max.)
- **#3** List important aspects of the Multifamily Business (5-8 things)
Example: Pick area, Build Team, Evaluate Deals, Go through Rod’s training materials, etc.



Weekly Planning Success

- #4 Personal Declarations of things you will commit to this week relating to Health, Relationships, Spirituality etc. IE: Rod's include; Rock Tiffany's world this week, Lift one body part each day, Read good book for 30 minutes etc.

This is very important. You must either hand write or type this thinking/impact list to fit onto ONE PAGE. Rod does this as a word doc and just changes the date every week. It's called his "Weekly Must List" . You will update this list in the future as needed.



Weekly Planning Success

- **Step #3** - Look at your thinking/impact list and create your task list for the week
 - No goals or projects listed in tasks, only tasks that you are committed to completing this week. If you have a project, you'll only list the items you'll do this week towards that project.
- **Step #4** - Identify the 20% of those tasks that will get you 80% further, and block time for those. If necessary block time to be present with your spouse or children.



Atlas Financing Presentation

Pg #190

Kaliser Law Presentation

Pg #199



LOI

- The letter of intent is used to show your intent/desire to purchase a commercial property
- All the LOI does is start the conversation with the seller, It begins the process and negotiation
- It can be used prior to submitting a contract
- Will sometimes save unnecessary legal fees
- Short document, 2-4 pages
- Nonbinding
- Purchase and sales contract contains all legal details and language
- LOI only contains the most important deal points

LOI WILL CONTAIN

- Name of property, if it has one
- Property address
- Property tax identification number
- Legal description of the property
- Purchase price
- Earnest money deposit amount

LOI WILL CONTAIN (CONTINUED)

- Payment arrangements such as cash, mortgage, seller financing, etc.
 - Projected closing date
 - Terms and time frames for your due diligence
 - Who will create the contract?
-
- In addition, you want to include any non-standard or large requests
 - Examples would be:
 - Seller financing
 - Seller paying closing costs
 - It might also include language stating the owner will not seek other offers for a period
-
- We have included a sample LOI in your documents

LETTER OF INTENT

Date: <Dates>

RE: Letter of Intent for the property located at <property's legal address and parcel number> (the "Property")

This letter follow up on or recent discussions regarding the Property (as defined above). This is a letter of intent only and, except as provided otherwise herein, neither party will be bound until a mutually agreeable purchase and sales agreement (the "~~Purchase Agreement~~") has been executed by both parties. Subject to the foregoing, Buyer (as defined below) would be willing to enter into a Purchase Agreement with Seller (as defined below) that includes the following terms and condition:

1. Buyer: *<Name of buying LLC> and/or assigns ("Buyer")*
2. Seller: *<Name of seller> ("Seller")*
3. Price: *<Purchase Price>*
4. Down Payment: *<Down Payment Amount>*
5. Payment Terms: *Financed amount to be <Mortgage Amount>, <#> year amortization, <#>% interest, <#> year balloon with (#) # year balloon extensions.*
6. Escrow: *Escrow to be opened at <Name of Attorney or Title Company> ("Escrow Company"), upon both parties' execution ("Mutual Execution") of a Purchase Agreement.*

8. Conditions for the Benefit of Buyer/Contingency Period:

Earnest Money. Within <Three> (3) business days after Mutual Execution of the Purchase Agreement, Buyer shall deposit with the Escrow Company <Earnest Money Amount> (the "Earnest Money"). At closing, the Earnest Money and all interest shall be applied to the purchase price. If this transaction does not close and all conditions for the benefit of Buyer have been waived or satisfied, then the Earnest Money and all interest accruing thereon shall be paid to Seller, unless the transaction fails to close as a result of a condemnation, casualty, or default by Seller under the Purchase Agreement, in which case the Earnest Money shall be paid to Buyer. If Buyer timely terminates the transaction as a result of the failure of any condition, then the Earnest Money and any interest accruing will be paid to Buyer.

amount or the purchase price. Buyer shall pay for any addi-

tional title insurance coverage it elects to obtain. All closing costs and escrow fees will be shared equally between Buyer and Seller. Property taxes, utilities, assessments, and all rents will be prorated as of the closing date. Seller shall pay all transfer taxes, and any deferred property taxes necessary to remove the Property from any applicable property tax deferral.

11. Assignment: Buyer may assign its rights under the Purchase Agreement in Buyer's sole discretion to an entity controlled by Buyer without Seller's consent. Any other assignment will require Seller's consent, which shall not be unreasonably withheld.

12. Personal Property: ~~The~~ Property will include all personal property, owned by Seller, located on the Property, and used in connection with the operation of the Property.

13. Commission: ~~<Choose either: List Commission being paid by seller or None>~~.

14. Confidentiality: The parties agree to keep this transaction absolutely confidential and disclosure shall occur only as required by applicable law or as reasonably necessary in connection with the contemplated transaction.

15. Non-Shop/Non-solicitation: ~~Upon~~ the execution of this Letter of Intent and until the transaction is closed or sooner terminated, neither Seller nor its agents shall seek or solicit any offers for the Property, nor shall they discuss or negotiate a possible sale of the Property with any person or entity other than with the Buyer.

If you find the above terms acceptable, please arrange to have a copy of this letter signed by the Seller and return it to me. Except for Paragraphs 14 and 15 above (Confidentiality and Non-Shop) which shall be binding on Buyer and Seller upon Mutual Execution of this Letter of Intent, neither party will be bound by any other term or provision of this Letter of Intent, unless or until a Purchase Agreement is signed by both parties.

This offer to purchase is valid for ~~<Five>~~ (5) business days after the date of this letter. By signing below, Buyer and Seller ~~acknowledges~~ receipt of a copy hereof.

APPROVED AND ACCEPTED:

SELLER:

By: _____

Printed Name: _____

Title: _____

Date: _____

BUYER:

By: ~~<Name of LLC>~~ _____

Manager: _____

Printed Name: _____

Date: _____

THE OFFER/PURCHASE CONTRACT

- Always use an attorney to write the contract or to review the broker's contract
- The contract should always have an effective date in addition to the date it was signed

“Choose to be Positive and Grateful.”

-Rod Khleif

“Your desire to succeed must be greater than your fear of Failure.”

-Rod Khleif

DUE DILIGENCE AND THE INSPECTION PROCESS

***Due Diligence is a complete mindset shift.
“Why do I not want to do this deal?”***

DUE DILIGENCE

- Comprehensive Due Diligence Checklist is a must
(FREE Multifamily Toolbook Checklist Download at RodKhleif.com)
- Important Mindset Shift You Must Make
- No stone left unturned
- No phone call left unmade
- No county office visit left unmade
- Call the Chamber of Commerce and/or Economic Development Office
- How is business in the area?
- Any incentives for investing?
- Have businesses been coming or leaving?
- Any new major employers you know of?
- We talked about analyzing the neighborhood, and now that you're under contract you will physically visit the property and the area
- Get in the car and drive the neighborhood
- Ask yourself
 - Would I want to live here?
 - Are there any jobs around here?

DUE DILIGENCE (CONTINUED)

- Would I want to work in this area?
- Is public transportation nearby and accessible?
- Where is the closest grocery store?
- Are schools nearby?
 - What is their rating?
- Are there things to do?
 - Examples could be beach, hiking, recreation
 - Or shopping, stores, businesses, movie theater, etc.
- What about safety?
- Would you feel safe collecting rents?
 - Go past 10pm, do you feel safe?
 - Go on the weekend
- Utilize spotcrime.com
- Call the non-emergency police number
 - Ask if the property you're interested in has had problems with crime in the past
 - People want Clean-Safe-Affordable
 - Security? Clear line of Sight? Lighting?
- Speak to City Planning and Zoning
 - Any violations on subject property in past 5 years?

DUE DILIGENCE (CONTINUED)

- Any permits been pulled?
- Any zoning changes coming that might impact the property?
- Any infrastructure coming that might impact property
- Speak with contractors who have worked on the property
 - Plumbers, electricians, HVAC, maintenance, etc.
 - What are typical problems?
 - What do they think of the infrastructure?
 - Do they think anything needs to be repaired or replaced immediately?
 - Any deferred maintenance?
 - Also have new contractors come out
 - Tenured ones often may mitigate the scope or quality of their past work

HAZARDS TO BE AWARE OF:

- **Mold:** Must determine what caused it i.e.: A/C lines leaking, roof leaks, negative drainage
- If you can find where the water is coming in, then okay to buy. If you can't, don't buy it.
- **Lead Based Paint:** (pre-1978 built properties)
- Every unit should have a tenant signed compliance letter

- Ideally remove and replace if you can. If you scrape you must vacuum up scrapes.
- **Asbestos:** Don't buy this property unless the seller removes it. (You always do environmental studies even if seller financed!)
- Aluminum wiring.
- Sewer lines.

DUE DILIGENCE

- Speak to tenants
 - Do they like living there?
 - Is it quiet and safe?
 - How are things maintained?
 - What changes would you like to see?
 - Will they stay or move when lease expires?

THE INSPECTION PROCESS

THE PHYSICAL INSPECTION PROCESS

- Use a Building Inspector!
- Roofing contractor to inspect if necessary
- HVAC, plumbing, electrical contractors if needed
- Foundations structural engineer if any indication of a potential issue
- You also want to physically walk the unit
 - Inspect each unit
- When walking the units, take pictures
- Better to have someone video

THE FINANCIAL INSPECTION PROCESS

- Matching up bank statements to income statements
- Matching up deposits to bank statement
- Perform a lease audit
 - Ensure that info from rent roll matches up to signed leases
 - Log all lease dates and amounts

THE STATEMENT INSPECTION PROCESS

- Verify utility bills against income statements
 - Water
 - Electric
 - Sewer
 - Trash

THE CONTRACT INSPECTION PROCESS

- Read over all contracts
 - Landscaping
 - Pool service
 - Snow removal
 - Etc.
- Take special note to the laundry contract

DO NOT BE AFRAID TO BACK OUT OR RE-TRADE IF WARRANTED

- If there were material things left out or miss-represented then okay to re-trade
- Do not abuse this process or you will lose broker relationships and damage reputation
- Do not be afraid to walk away!
- Sometimes the best deals are the ones we do not buy!

BUSINESS / ENTITY STRUCTURES

Business / Entity Structures

The most commonly used are:

- C-Corporation
- S-Corporation
- Limited Partnerships (LP)
- Limited Liability Companies (LLC)

C Corporation

Standalone entity

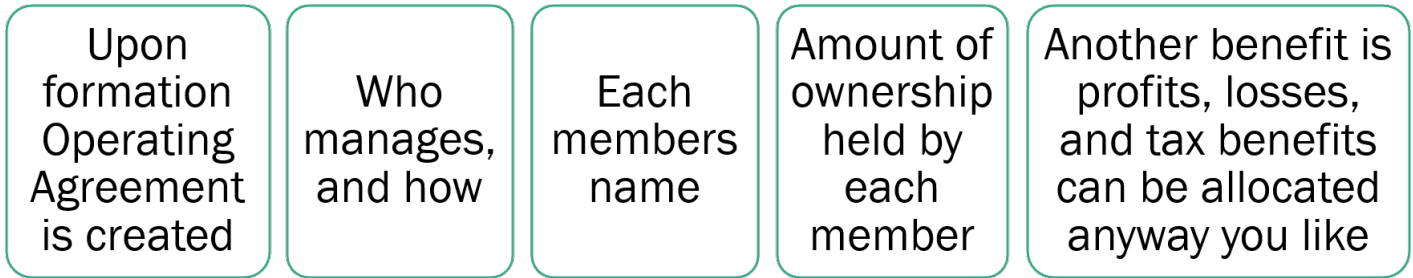
- Pay taxes on income they generate
- Biggest downside is double taxation
- First taxed on corporate level
- Then taxed on individual level when distributed to shareholders
- Any rental income not dispersed regularly subject to 15% personal holding company (PHC) tax

S Corporation

- Not subject to double taxation
- Profit and losses pass through to shareholders
- Major benefit is that shareholders can be employees and receive a salary
- Any profit above reasonable salary can be paid out as distribution
- Distributions are not subject to Social Security and Medicare taxes

Limited Liability Company

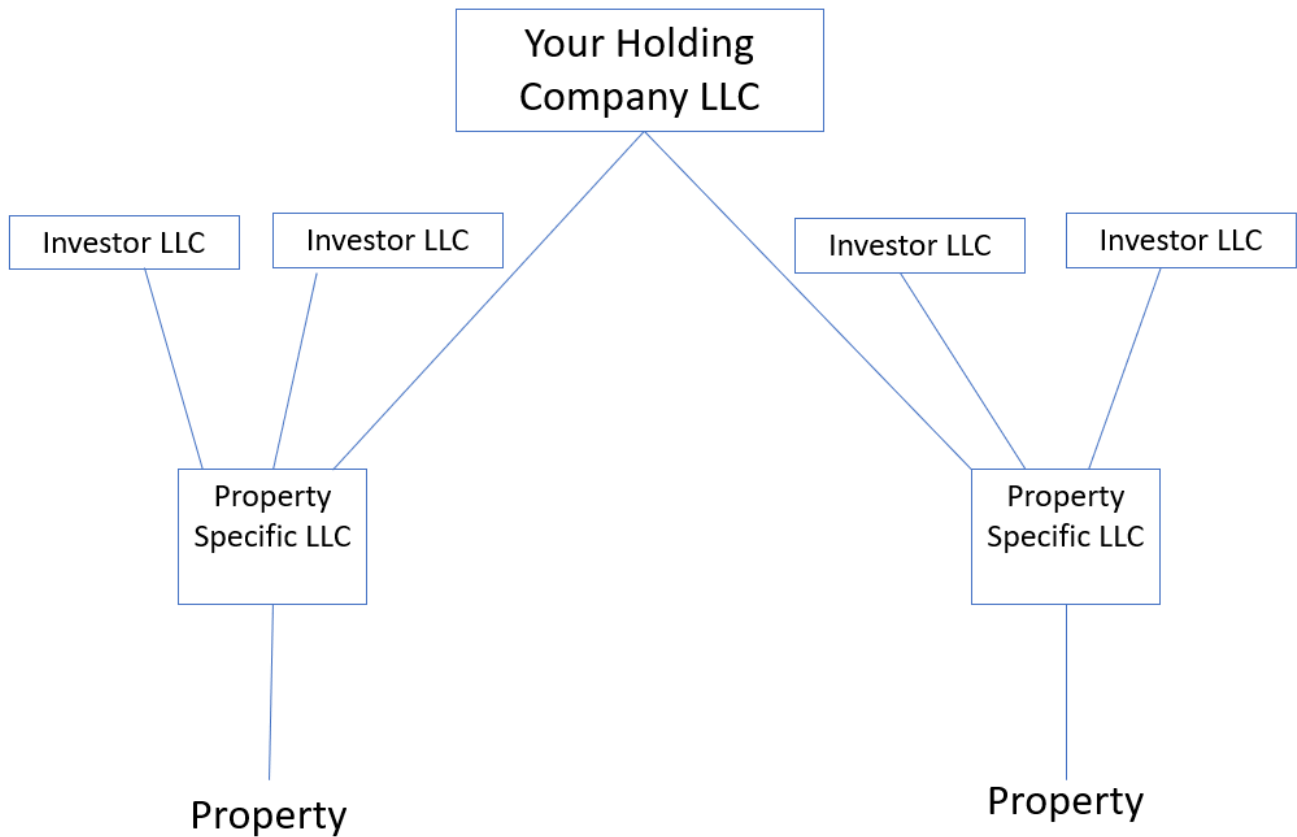
- Easy to form in all 50 states
- Provides same liability protection as a corporation
- Single level taxation
- Often referred to as a combination of partnership and corporation
- Very easy to manage and run
- Don't need annual meeting
- Most commonly used in real estate investing
- Can elect to be a S-Corp, otherwise default is partnership



BUSINESS / ENTITY STRUCTURES TIPS

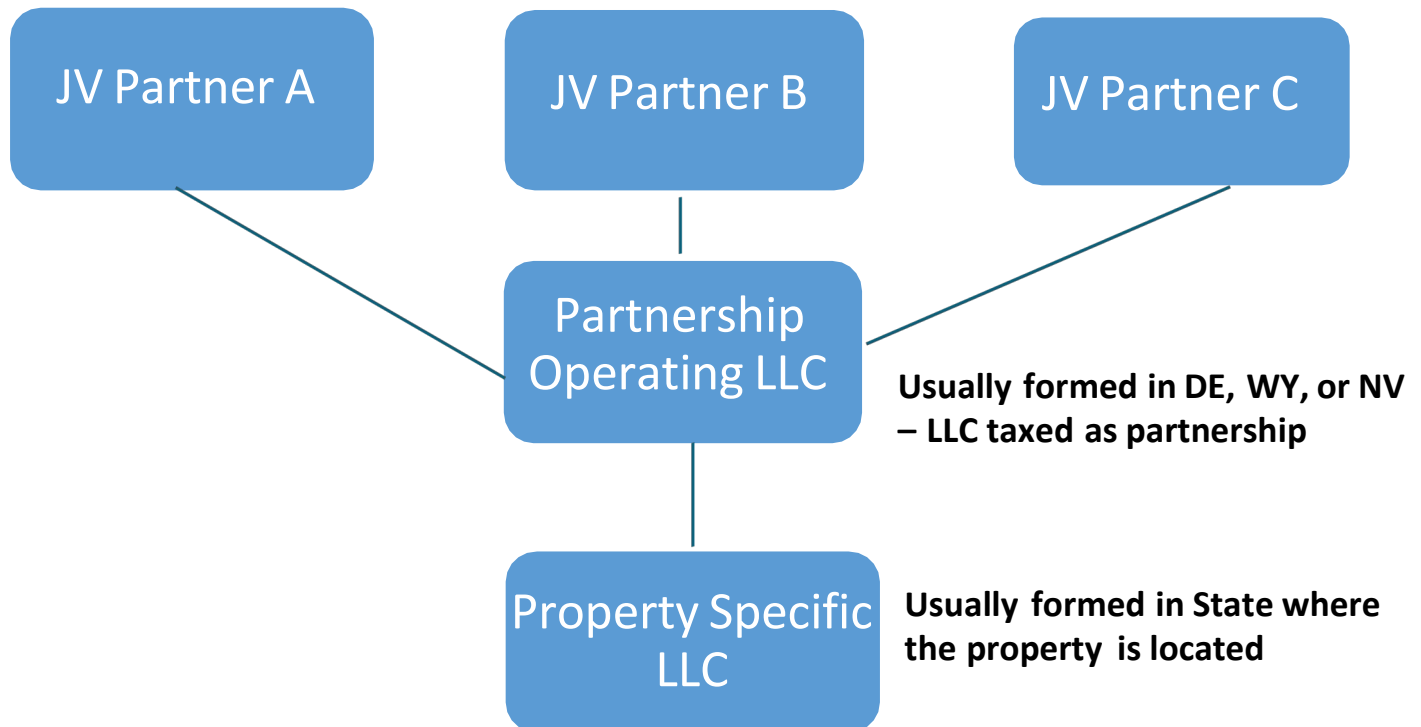
- Keep personal finances separate
- You want an umbrella liability policy
- You also want to keep each property in a separate LLC
- Make sure each LLC has a separate bank account or at least ledgered separately
- Creating a holding company
- Setting up a management company
 - Only manage your own properties
 - If you manage someone else's you need to be a licensed real estate broker
- Create a construction company

Joint Venture Example

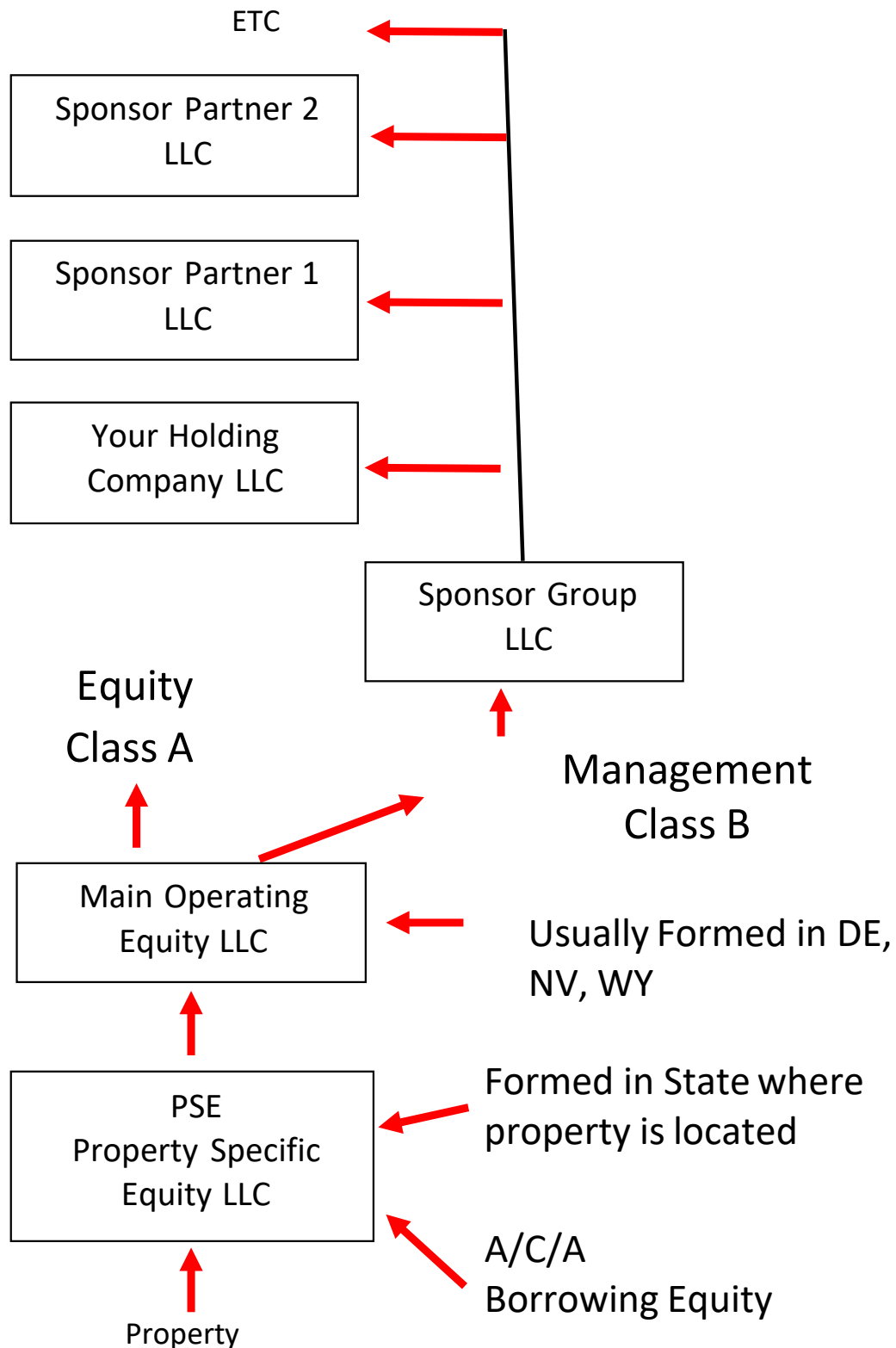


TYPICAL JV STRUCTURE (NON-SYNDICATED DEALS)

- This would be your S-Corp holding company
- No one is passive, everyone has a role in the deal



Syndication Example



PROPERTY MANAGEMENT

“Eliminate your distractions....Focus is Power.”

Rod Khleif

“The Fire inside you, must burn brighter than the fire around you.”

Joshua Graham

“In the face of gratitude and action, fear flees.”

Tony Robbins

HIRING A PROPERTY MANAGEMENT COMPANY

INITIAL PROPERTY MANAGEMENT CALL SCRIPT

Hello, I'm a multifamily investor. I live in _____ but we've targeted _____ to buy in. I'll be visiting later this month and I wanted to set some appts with property management companies for while I'm there. Do you mind if I ask you some questions?

Tell me a little about your company?

What size properties do you manage?

What asset class? We buy value add A, B and C Properties in A, B and C areas. The size we like is _____ to _____ units. Can you give me your thoughts about investing in _____.

Are there areas you like more than others? Any areas gentrifying?

Are there any major employers moving in or out?

Who are the best brokers for the size and type properties we like?

Can you make an introduction?

HIRING A PROPERTY MANAGEMENT COMPANY

- Make sure:
 - They have office in area of your property
 - They don't own or have ownership interest in any nearby properties
- Look for a company who manages similar size, types and asset class as your subject property
- A firm who manages all 100 unit and up buildings may struggle with your 10 unit
- If you're hiring them right from the start they can aid in due diligence
 - Mystery shop the property management company
 - Go through the rental process and see how professional they are

WHAT THEY SHOULD DO

- Determine market rents
- Rent collections
- Locating and screening tenants
- Writing leases
- Evictions and move outs
- Maintenance and repairs
- Payment and expenses
- Financial reports and summaries

PROPERTY MANAGEMENT COMPANY TIPS

- Set a maximum expense threshold
- Anything under it and they can spend
- Anything over and they need to reach you
- Stay in regular communication and ask lots of questions
- Be a signer on all accounts
- Always get three bids on larger repairs
- Pay bonuses for renewals and exceeding net revenue forecasts
- Make surprise visits and walk units

Make sure the property management company is not a “digital dinosaur.” Make sure they have a great online presence and mobile website

HIRING A PROPERTY MANAGEMENT COMPANY

- Questions you should ask:
- Renting the Property:
 - What is their procedure?
 - What mediums do they use to advertise a rental?
 - What is their average turn-around-time?
- Screening Tenants:
 - Do they personally interview the applicants?
 - What screening steps do they use?
 - Do they have a standard lease agreement? If so get a copy
 - Who designed the lease agreement? Hopefully an attorney
 - When was it last updated?
 - Do they explain the lease and their procedures verbally to the tenant at lease up?
- Maintenance and Repairs:
 - How do they deal with these issues?
 - When do they contact the owner for authorization?
 - Who do they use to complete repairs?
 - Are they licensed?
 - Are their maintenance staff employed by their company or are they a subcontractor?
 - What is their hourly rate for each type of work?
 - Do they conduct periodic inspections? When?
 - How do they handle an emergency repair?

RENT COLLECTIONS AND DELINQUENCIES

- What are their procedures regarding monthly rental payments?
- What do they do if the tenants are late?
- How long do they wait until filing for eviction?
- How do they determine fair market rent for a unit?
- How do they determine when to increase the rent?

REPORTING AND COMMUNICATION

1. Reporting:

- How regularly do they report on rental collections?
- Should you expect monthly or quarterly statements?

2. Communication

- How often do they contact property owners?
- What method do they use to contact? Email, text, phone calls?

HIRING A PROPERTY MANAGEMENT COMPANY

You should receive the following reports monthly:

- Income statement
- Expense statement
- Current rent roll
- List of all vacancies
- List of all delinquencies
- List of all renewals
- Annual budget
- Narrative of what's happening with operations

**You may request
that they do a
quarterly market
survey of your
competitors**

TAKING OVER A PROPERTY YOURSELF

- After closing there's a lot you want to do to ensure that things go smoothly
- Residents may be worried/scared of new ownership

TAKING OVER MANAGEMENT YOURSELF

- Upon acquisition you want to notify tenants that you are new owner
- Prepare a letter and put on each door
- The letter should include:
 - Name, address, and phone number of new owner AND property management company (if applicable)
 - How the rent can be paid – online, bank draft, check, etc.
 - Where to mail the rent
 - Where and how to contact for maintenance and other issues
 - Who to contact in case of emergency

UPDATE TENANT INFORMATION

- In the letter you should include a way for tenants to update their information for you
- Could be paper form, link on website, or email address to which to respond
- They should update/confirm their:
 - Name, age, and relationship of all residents
 - Contact information
 - Current employer information including phone number in case of emergency

NOTIFY & CONTACT:

- Utility companies
 - They will want to know the new owner's address
- The local fire and police department
 - Give them your contact info and your property managers contact info

CONTACT ALL CURRENT VENDORS

- Update/rewrite any contracts
- Some of the examples:
 - Swimming pool
 - Parking lot maintenance
 - Landscapers/lawn maintenance
 - HVAC
 - Plumbers
 - Electricians
 - Pest control
 - Vending machine
 - Washer/ dryer equipment owners

SET UP PROPERTY SPECIFIC CHECKING ACCOUNT

- Make sure property specific account is in name of entity listed on title
- Always keep your personal finances and the property's finances separate

SET UP ACCOUNTING SYSTEM

- Speak with your accountant upon your new acquisition
- Most often expenses are misclassified
- Learn the difference between an expense and capital improvement
- Cash or accrual method of accounting?
- Determine depreciation schedule and decide on cost segregation

CREATE MANAGEMENT SYSTEMS.

ENSURE YOU AND YOUR ONSITE PROPERTY MANAGER HAVE SYSTEMS IN PLACE FOR THE FOLLOWING:

- Rent collections
- Late pay procedure
- Maintenance systems and procedures
- Property upkeep, scheduled
- Maintenance
 - Marketing systems
 - Lease up procedures
 - Accounting procedures

HIRING AN ONSITE MANAGER

- Self-management doesn't necessarily mean you have to collect rents, fix toilets, and lease units
- Self-management means you don't hire an offsite property management company
- Instead, you hire your own personnel
- On site manager// Depending on the workload and size of your property
 - They can be full time or part time
 - They can just get a rent discount
 - They can get free rent and nothing else
 - Or free rent and compensation
- 12-unit property--**Manager gets \$200 - \$300 a month off rent**
- 24-30-unit property--**Manager gets free rent (leasing bonuses)**
- 40-50-unit property--**Manager gets free rent, leasing bonuses and \$_____monthly salary**
- They become the “face” of your property
 - They are your 24/7 eyes and ears
 - They give you peace of mind
- Their responsibilities can include:
 - Show units
 - Interact with current residents

HIRING AN ONSITE MANAGER (CONTINUED)

- Interact with contractors
 - Let them in, set times, etc.
- Answer property phone
- Deliver notices to tenants
- Check and clean laundry room, mail center, common areas, etc.
- Mow grass/keep tidy (optional)
- Blow snow
- Make ready
- Paint
- Minor maintenance
- Cleaning

KNOWING THE LAW

- Every state has different landlord/tenant laws, and even some cities do
- Some of these laws are not very landlord friendly
- Be aware of rent control
 - Max rent
 - How quick you can raise rent
 - How much you can raise rent
- Be aware of eviction laws
 - Some places it can take up to a year
- Never turn off their electric/water, and/or change the locks when they're gone, etc.
- Cash for keys

KNOW WHAT CONSTITUTES DISCRIMINATION

- Disability
- Familial Status
- Race
- Religion
- Age
- Sex
- Marital Status
- Sexual Orientation
- What their source of income is

LEGAL REASONS YOU CAN REJECT AN APPLICATION

- Income is insufficient
- They have negative references
- They have poor credit
- They have a criminal record
- They lied on the application or didn't completely fill it out
- Can't afford the payments
- They have pets and you don't allow them
- Lawsuits on their record from previous landlords
- Prior Evictions on their record

SOME HIGH LEVEL TENANT RULES

- They must pay their rent timely
- Must keep their unit and surroundings clean
- Must not disturb neighbors or break the law

WHAT THEY CAN EXPECT FROM ME

1. A safe place to live
2. A clean place to live
3. Legitimate maintenance requests will be handled timely

IMPORTANT SELF-MANAGEMENT TIPS

- Always certified funds for first payment of rent, deposit and other initial fees
- Keys are only give when everything is done...Lease is signed, All certified funds received, Condition report signed by everyone. Nobody moves in before this!
- Tenant turnover is your biggest expense. Take care of your residents. If they have a legitimate maintenance request fix immediately and follow up to make sure they're happy. That said, if they caused the damage make sure they pay you immediately.

NOTES

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SYNDICATIONS

“Celebrate your small wins and reward yourself every week....That is the fuel towards success.”

Rod Khleif

“Change your should’s to must’s.”

Tony Robbins

Don’t be in the same place you are a year from now unless you absolutely love where you are right now! .”

Rod Khleif

90 Day Action Plan



“Your life is either an example....or a warning.”

Tony Robbins

***“Growth requires you to temporarily
surrender security and comfort.”***

John Maxwell

***“You are far too smart to be the only
thing standing in your way.”***

Jennifer Freeman

Week #1

Task #1: Set Short Term Goals

Set your real estate goals, and your life goals as well. And be sure to write why they are an absolute must for you to achieve. Make sure they're clear, measurable, and you have pictures of them posted where you see them often.

Task #2: Perform Self Evaluation

- What real estate experience do you have, even if it's buying your primary residence?
- What is your current financial status?
- Current employment status?
- How many hours do you work a week?
- How much time can you dedicate to investing each week?
- What is your Risk Tolerance?
- Are you Conservative or Aggressive?
- You can't have an Employee Mindset
- Must have a Business Mindset
Remember Multifamily is less subjective....
- It is more empirical
- Your Investor Identity will change as you mature in this business.
- You may start smaller and then move into larger properties.
- How is your credit?
- What is your net worth?
- Investment capital?
- Possible potential investors?
- Family/friends?
- Mentor or Coach that can help guide you?

Task #3: Select your target market.

You can start in your own backyard, but if too expensive, you can also research a place you've spent some time, a place where you know people, or a place you'd like to retire or enjoy going. You're looking for an emerging market with increasing historical income, jobs and population. Choose one of these and become an expert on it.

Task #4: Establish Your Investment Criteria

What size, class, type, number of units, areas are you interested in? Write it all down.

Should Include:

- Size
- Location (area)
- Class
- Type of Area
- Stabilized or Value Add
- Price Range

You Need clearly defined investment criteria for:

- Credibility with Brokers
- Credibility with Sellers
- Credibility with Investors
- Staying on Track
- Becoming an Expert in a Market

Other Things To Take Into Consideration When Establishing your Criteria:

- Your Initial investment
- How you will handle Property Management
- What Loans are available for the property size you're considering
- Your Target area...how far is it from where you live?
- How much time do you have to devote to this exciting business?
- Your resources including friends, family and associates?

Task #5: Name Your Business

You need to form a business for credibility.

Here are some tips to get you going:

1. Select a name that is easy to remember .

Most investors put words like; equity, capital, real estate, partners, investments, ventures, etc. behind another name.

2. Thoroughly check the name online.

Do a web search and see if anyone else is using the name. That does not necessarily mean you can't use it, but important information to know.

3. Go to your state's Secretary of State website and do a name search to make sure your desired name is available.

4. Perform a trademark search of your name.

There are free sites that allow you to do trademark searches or you can do them directly on the government's site. www.USPTO.gov/Trademark

5. Here are some resources for finding name options.

VisualThesaurus.com, Shopify Business Name Generator, NameMesh.com, Naminum.com

6. Check all of the social media platforms like Facebook, Instagram, Youtube, Twitter and LinkedIn to make sure nobody is using the name and lock the name up as quickly as you can on the platforms you intend to utilize.

Task #6: Check Domain Name on GoDaddy or Instant Domain Search

<https://www.godaddy.com/>

Go to GoDaddy.com and make sure your name or a rendition of your name is available to buy as a .com URL. Don't buy any of the other offered URL extensions like .biz etc. as they are not as powerful for you.

<https://instantdomainsearch.com/>

This site will help you get the best domain for what you are looking for. It will show you options for all the extension, ideas for combinations of words if you can't find your exact domain, etc.

Task #7: Start Process to set up LLC for your Branding Company

You can use the company you form this week as the initial purchaser on your contracts. It's not as intimidating as it sounds. It's just a phone call.

It requires you to identify the owner, and I recommend more than one person. You can bring in your spouse or child to make it a multi-member LLC. You'll also need an address.

If you want to use a paid service, you can take a look at: <http://bit.ly/2uGUWGo>

If you want to DIY: Here is a great article to get you started, but if you are unclear, always consult an attorney before proceeding. <http://bit.ly/2UgGgMX>

Be sure to visit your social media platform of choice to claim your business name.

Week #2

Task #1: LoopNet research for brokers (create list of top 100 brokers in your market)

Find brokers who are heavily marketing the size and type of properties that fit your criteria. Develop a relationship with them. Remember to follow up with them, and respect their time.

Look in Multifamily for sale

- Find a broker who has several of the type and size properties you're interested in for sale
- Tell them you're calling in regards to one of their LoopNet listings'.

Here is a sample script:

Hello, my name is _____, I'm an investor out of "your city", how are you today?

.....I'm calling in regards to one of your LoopNet listings. It's "Shady Oaks"... is that property still available?.....

.....Great, I definitely want to see some more information on that. Before you send that, I do have a few quick questions.

What's the story on this property? Why is it for sale?.....

.....Interesting... this sounds like it has potential. Here's my contact info:.....

Also, do you typically list properties similar to this one?

.....My partners and my criteria is "_____", and we're currently looking to acquire several properties within the next year. Feel free to send anything similar, I'll be sure to get back to you as soon as possible.

Valuing Brokers – Following Up

- Most people never follow up!
- Tell the broker why the deal didn't work for you with specifics from your analysis.
- The more detailed your response, the better.
- Refresh their memory on your exact investment criteria
- Always respect the broker's time.
- Look for ways to set yourself apart.

Task #2 Contact 3-5 new brokers every week and analyze deals

With your list in hand and the script I laid out above, make sure to contact 3-5 new brokers every week. Set a specific day each week for this task to help you remember.

As you make each contact, drop that broker into your CRM (see task #7 so that you can keep tabs on who you've contacted and when. Schedule out a regular contact plan for each broker.

The goal isn't just to find a deal, but to keep yourself top-of-mind so that brokers will begin sending pocket listings to you. This process is always about developing long-term relationships with brokers, instead of a specific deal.

Task # 3: Contact 3-5 Property Management Companies over next three weeks and ask for referrals to other team members

If you're in real estate, you're in the people business. And the more people you can bring into your professional circle, the more deal flow you can expect.

In the same way you started establishing relationships with brokers in task #2, reach out to property managers in your target market. Ask them about the market and learn as much as you can from them. Be sure to ask for connections to other professionals (brokers, lawyers, lenders, contractors who you can utilize as well.

Task #4: Order Business Cards

Business cards can be very inexpensive. You can visit [VistaPrint.com](https://www.vistaprint.com) and print 500 cards for usually under \$10.((check their website for their latest specials). You need legitimacy and to have something to hand out to Brokers, property managers, potential investors, etc.

Task #5: Create 1-2 page preliminary website for your investing business

You can use these resources to help you:

- www.Oncarrot.com
- www.Leadpropeller.com
- www.Realeflow.com
- www.Fiver.com

Make sure to include your picture, what you do, and your investment criteria.

Task #6: Reach out to 3 potential sponsors for deals you locate

As you get your feet wet in the market, you're going to come across deals that excite you. Take that energy and share it with at least 3 senior investors who might consider sponsoring you on a deal. You are just building relationships at this point but when you have an actual deal, be sure you present a full analysis and your business plan for that asset.

Task #7 Set up CRM or Excel spreadsheet to track all of your contacts

When you start contacting brokers, team members, sponsors, etc., it's easy to lose track of your communications. That's why you need a system for keeping track of your contacts.

In your CRM or spreadsheet, upload the names and contact information for all the people you contact as you push forward. Use tags and/or sort them into groups for easier searching.

Week #3

Task #1: Research & Find Your Local REI Meeting

As you know, this business is a team sport and networking is vital to an investor's success. Find your local real estate investment clubs (REIA) for both single family and multifamily investors. Attend meetings to connect with friends, peers and mentors.

You've got to find people who are doing what you're doing. You must be immersed in this business so you build your confidence as quickly as possible. You'll get synergy by being around people who are doing what you're doing.

National REIA Listing: <https://nationalreia.org/find-a-reia/>

Task #2: Research and Find Your Local Meetup Groups

REIA isn't the only place you can go to network with other investors. Meetup.com is a great resource for making new contacts. To expand your network of potential private money lenders, don't just focus on the real estate specific groups. Instead, broaden your scope to include more general finance/investing groups as well as topics that personally interest you.

If you can find them, groups with high net-worth individuals will be a great source of prospective investors. New relationships bring new opportunities to share what you're doing and invite other people to get involved.

Task #3: Get a Paper and Look In Classifieds

Not everybody is on the internet these days, especially elderly apartment building owners..These folks will list their properties for sale in the only medium they're familiar with- the newspaper.

So, don't neglect your local daily news. Grab a copy, or look online in their real estate section, and you just might be surprised to find a deal where nobody else bothered to look.

Task #4: Contact 2 commercial mortgage brokers each of next three weeks

Like you did with brokers last week, it's time to start building out your network of commercial lenders. From the referrals you asked for from brokers and property managers, start establishing relationships and describing your criteria, and start becoming more familiar with the financing process.

Task #5: Make a list of family and friends who might be interested in investing

You're surrounded by more potential funders than you think. Friends and family members can serve as excellent investors your multifamily real estate business. If they've got an IRA or a 401(k), then there's no reason why you can't present them with an alternative investment vehicle.

Week #4

Task #1: Contact 5 people in your list of family and friends and discuss investing

The key to getting people on board isn't "selling" them, but letting them know what you're up to, and the kinds of opportunities you've seen out in the market. Reach out and influence your network with your excitement for multifamily real estate. When you do, don't forget to put these contacts into your CRM.

Task #2: Do 5 Full Evaluations and Practice, Practice, Practice!

Successful investors seem to have an intuition about deals. The truth is, that deal-sense is a product of years of poring over and analyzing properties. There's no shortcut here. If you want to learn the art and science of spotting a deal, you need to get in there and practice by analyzing as many deals as possible.

Task #3: Register on 4 Auction Sites

Deal flow is crucial in the multifamily business and auction sites are a great way to keep up your supply of potential acquisitions. Get onto the popular sites like Hudson and Marshall, Williams and Williams, Xome, and RealtyBid to register for an account..Set keyword searches and alerts to let you know when a new property hits within your target market.

Task #4: Contact 2-3 Local or Regional Banks & Ask About Loan Programs and start relationships

Last week, you started building relationships with commercial lenders. This week, add local banks to your list. These banks are easier to work with than the large national institutions. A solid relationship with your local or regional bank won't just bring you access to funds, it'll connect you with their REO department and another source of multifamily leads.

Week #5

Task #1: Check/Register on Other Brokerage Listing Sites

Don't content yourself with a just a few online sites. Remember, deal acquisition is a numbers game..The more places you look, the more leads you'll find. More leads leads to more practice analyzing deals and a higher likelihood that you ll find one worthy of an LOI..

Task #2: Contact 5 more potential investors and discuss what you're doing.

While you re building your deal flow, it s important that you continue to build your database of potential investors. This week, reach out to 5 more people on your list and talk about what you're seeing in the market. Bring the passion to these conversations so that you influence them positively.

Task #3: Prepare & Implement Craigslist Strategies

For Sale: Dedicate time to searching for deals on your local market's Craigslist page. Call owners that have listed multifamily properties for sale. Even if you're not sure about the deal, give them a call to practice those conversations and build your confidence.

For Rent: Don't just look at 'for sale' listings. Rental listings have one thing in common: vacancy. Look for units listed for rent by owner and give them a call. Try to find out what led to the vacancy and, more importantly, whether the owner is fed up enough with the property to discuss selling it.

Week #6

Task #1: If your target market is your backyard drive areas for a full day and look for run-down properties.

Driving for dollars is a tried-and-true tactic for finding deals. So, mark out a day in your calendar and head out with your notepad and camera in hand. When you find a run-down multifamily, jot down the address and snap a few shots of the exterior. When you get home, look up the owner's contact info, drop them into your CRM, and reach out to see if they're interested in selling.

Task #2: Evaluate 5 more properties

Practice, practice, practice. Don't get lazy here. Repetition equals skill. Do a full evaluation, even if you're not sure if/how you can make the deal work. See what price the deal would make sense to you and your investors.

Task #3: Contact 5 more potential investors and build relationships

Keep your head down and do the contact work. Again, you are just building friendships. Tell them what you're doing and show the passion. If you're passionate, you'll inspire and influence them. Keep building that investor database.

Task #4 Spend 15 minutes each day checking Craigslist and the newspaper

Print isn't dead yet and can still be a potential source of deals. This week, block off time in your daily schedule to check these two underutilized sources for deals. You may be surprised at what you can find.

Task #5: Contact a residential broker and start relationship in case they come across a multifamily property

While you should definitely focus your time and energy on commercial brokers, developing relationships with residential brokers in your target market is a must.

Residential brokers come across commercial listings from time to time and do not know how to handle them. Make sure you ask your residential broker to put an alert in their MLS system for any apartment deals that show up. That you're ready to buy.

Task #6: Start a relationship with a syndication attorney

If syndication isn't on your radar yet, it should be. You may just be starting, but an important part of building a successful multifamily business is envisioning your success and preparing for it. There's going to come a time when you need to put a syndicate together in order to make a move on a larger property. Start that relationship.

Week #7

Task #1: Run ad looking for multifamily on Craigslist

Last week, I had you start scouring Craigslist for opportunities. Now, it's time to create an ad to see what you can drum up. Keep in mind, you won't be the only one posting on Craigslist. So, focus on writing a tight, clean ad and reposting it frequently.

Task #2: Run ad looking for Partners on Craigslist

In addition to your ad for multifamily property, put out a call for partners. Start by focusing on their pain points - stock market uncertainty, low-yield savings rates, etc..and then present real estate investment as a safe, attractive alternative.

Share results and invite readers to get involved with a clear,,concise call--to-action. Remember, you can't advertise a specific deal unless you're doing a 506(c) syndication to Accredited investors only..You are just building relationships with prospects.

Task #3: Evaluate 5 more deals

Can you see a theme here? Don't stop evaluating deals. Work time into your schedule every day to scour your sources and run promising leads through a full analysis. Keep it up and you ll not only hone your analytic skills, but you'll be sure to uncover your next deal..

Task #4: Talk to 5 more potential investors to invest in your deals

Keep reaching out to potential equity partners. When you do, pay close attention to the particular stories and aspects of the business that resonate with the people you're talking to.

Distill your best material into a written script, internalize it, and use it as a guide in future conversations. You are building relationships for future investment in your deals.

Task #5: See if code violations or evictions might be an opportunity for deals

Check with your target market county or city for recent code violation lists and/or lists of evictions. Treat these properties like the ones you'd find when out driving for dollars. Drop them into a database and reach out to each owner individually. Focus on pain points: "are you tired of dealing with evictions."

Task #6 Reach out to four more different types of lenders: Local, Bridge, Agency, and Hard money

Sometimes, you're going to have to get creative in order to make a deal happen. In this business, the most successful investors are the ones who gather as many tools in their bag as possible so that they never find themselves without an option. Non-traditional lending sources are a crucial part of that toolkit. Keep building your database.

Week #8

Task #1: Enhance your business website to include the members of your team you've aligned with

Now that you've added some members to your team, including potential sponsors, update your website to reflect your thickened presence. Always get permission to add someone to your website.

Potential funders and partners want to see you're not a lone ranger. Having other names and faces associated with you will add an important element of legitimacy to your business.

Task #2: Evaluate 5 more deals

As you get more and more comfortable with your target market, be sure to stand back and think about its overall shape. Where are you seeing the best deals? What is the path of progress? What areas would you not want to collect rent in at night? Which brokers specialize in which areas?

Task #3: Talk to five more potential investors

By now, you should be getting comfortable with your pitch. You should also have a sizeable list of investors you've already reached out to in your CRM. Keep adding to it, but don't forget to communicate consistently with the people who are already on the list.

If you haven't already, look for subtle ways to stay top of mind with your previous contacts—a handwritten note, a short email, a phone call, or sending an article you curate speaking to the benefits of multifamily investing or touting your target market.

Task #4: Submit an LOI on a property with LOI or Sales Contract

Over the past two months, you've been analyzing deals, talking to brokers, and getting your feet wet in the market. Submit an LOI based on your numbers and stand firm in the negotiation. If the deal doesn't fly, learn from your experience and move on to the next one. You haven't wasted your time.

Task #5: Start your own Multifamily Meetup Group

Meetup groups are a great place to meet like-minded individuals. They're also a great place to find partners and investors. Whether you've already joined a group or not, start your own multifamily group. Even if it only starts out with a couple of people, you are immersed in the business and talking shop. The more you talk about this business the more confident you will become.

Week #9

Task #1: Submit an LOI

Did last week's LOI get shot down? No sweat; write another one..It could take you as many as 20 LOIs to finally get a contract on a property. That's a normal part of the business, and it should encourage you to keep up with your deal flow and analysis..When a property makes sense, don't hesitate.

Write an LOI, then let your due diligence confirm your initial analysis.

Task #2: Negotiate Terms With Seller

If you submit an LOI or contract directly to a seller be sure to prepare by learning everything you can about the property and its owner. Decide beforehand which compromises and concessions you're going to make. Be prepared to give a little, but make sure you know exactly what you'll need to get in return.

Task #3: Start looking to find best financing options for your deal

By now,,you've already built relationships with lenders of all different kinds. Now it's time to reach out to your contacts and look for the lender/product that's going to work best with this deal. Not every lender is created equal, so make sure to check in with several of them before you make a decision.

Task #4: Send teaser to potential investors if syndicating

If you plan to syndicate this property, then it's time to send out a concise teaser about the upcoming detail. Share the property details along with your summary analysis and your projections for the next several years. Give investors a preview of what you're offering and the terms your offering for their participation.

Week #10

Task #1: Come to terms with seller and settle on final LOI

If you haven't already, wrap-up negotiations with the seller and get an LOI accepted.

Task #2: Send LOI to attorney and have him prepare purchase and sale agreement

An LOI is basically a glorified handshake agreement. It's not a contract. For that, you'll need to send your LOI to an attorney who can draw up the appropriate legal documents. Be sure to work closely with the attorney to ensure you give yourself plenty of time for due diligence as well as all the necessary contingencies in case you need to back out of the deal.

Task #3: Make due diligence/ inspection preparations.

Once the seller signs the contract, your due diligence clock starts. As your lawyer draws up the paperwork, reach out to all the inspectors and contractors you need in order to check out the property. At the same time, start collecting all the paperwork you'll need to review as part of your due diligence (see checklist). Ideally do not have your due diligence clock start until you've received all of the sellers documents you requested.

Task #4: Get syndication paperwork ready

You should have contacted your syndication attorney once you had accepted LOE and started work with them on preparing all the necessary paperwork. Here's what you'll need:

A Private Placement Memorandum (PPM) – this document explains the risks of the investment and how the offering will be run, along with details about the property.

An LLC Operating or LP Partnership Agreement – this is the investment.

A Subscription Agreement - this is where investors certify that they meet the financial qualifications and understand the risks involved.

A property package- this document describes the property itself, what you plan to do with it, income/expense projections, and acquisition costs.

Week #11

Task #1: Do all of your due diligence

Depending on your contract, you'll likely have approx. 30 days from the date of receiving the sellers documents to complete all of your due diligence. Now's the time to be methodical; follow your checklists down to the last detail. Don't miss anything here and don't let your excitement press you into cutting corners or turning a blind eye to red flags. Leave no stone unturned.

Task # 2: Prepare loan package for your lender

Just like you, lenders have their own due diligence to conduct. To that end, you can expect a fat stack of paperwork to fill out and documentation to provide for your deal. As you work on your due diligence, be sure to stay on top of all of the lender's requests in a timely manner.

Task #3: Firm up commitments for all equity from investors/partners

If you're syndicating, now's the time to start getting signatures on all of the required paperwork. If you're doing a private money deal, then work with your attorney to formalize the funding arrangements. If you're working with partners and/or a sponsor, check in with your lender for their specific requirements. When it comes to funding/financing, you can never be too proactive. If you let things slip, you'll find yourself without the funds you need to close.

Week #12

Task #1: Keep going on due diligence to prepare to close in 30 days. Look under every rock

If you haven't yet cleared your due diligence period, keep going. Leave no stone unturned as you get to know every detail about this property. In the event that you have to renegotiate for the deal to make sense, be sure you have backup for your argument. Do not re-negotiate unless something significant was discovered in your due diligence.

Task #2: Firm up equity from your investors/private lenders

If you haven't finished firming up commitments from your investors and partners, now's the time to get that done. You don't want one of your investors backing out in the 11th hour and leaving you no time to find another source of funds. Expect 25% of your equity commitments to back out. That is why you always oversubscribe..

Task #3: Provide all required documentation to your lender

Throughout the underwriting process, your lender is going to ask you to jump through one hoop after the next. Take it all in stride and get your lender what they need as quickly as possible..If you're working with a strong lender, they'll get you over the finish line.

Task #4: Prepare to Close in 30-45 days!!

Once you've got your due diligence completed and your lending squared away, you're on a clear path towards closing. On your way there, work on solidifying contracts with your vendors (property management, landscaping, etc.)

Task #5: Set up a Management Company LLC

Your attorney will also usually set up an LLC for the management of your property which will have the general partners (or KP's) interests in it. It will outline the arrangement between the KP's. The management LLC will own the General Partner's membership interests in the property specific LLC. .

Multifamily Glossary

- **1031 Exchange** – the process of selling one piece of real estate and transferring the proceeds into another one tax free. Governed by a section of the IRS code that allows investors to defer capital gains taxes on any exchange of like-kind properties for business or investment purposes
- **ABP** – All Bills Paid – property pays for all utilities.
- **Absolute Auctions** – An auction where the property will sell for the highest bid regardless of price.
- **Accredited investor** – An individual with either a net worth over \$1,000,000, excluding the value of their primary residence, or income of at least \$200,000 for the last two years (combined income of \$300,000 if married) who has the expectation to make the same amount in the current year
- **Acquisition** – Purchase of a property.
- **Acquisition Cost** – Total costs to acquire a property. Purchase price +closing costs/acquisition fees/etc.
- **Actuals** – A property's actual financial performance as reflected on an income and expense statement
- **Amortization Period** – Number of years over which the principle payments are spread. Typically 20-30 years.
- **Appreciation** – The increase in the value of the property.
- **Asset Manager** – Person or company responsible for overseeing the overall direction, financing, and strategy of the real estate investment.
- **Best & Final** – Bidding process whereby a seller down-selects buyers to a smaller group and asks them to increase their offer price.
- **BOMA** – Building Owners and Managers Association
- **BOV** – Broker Opinion of Value – Broker provides this to a seller when the broker is trying to get the listing to sell the property.
- **Brand** – A name, term, sign, symbol, or design that identifies and differentiates your business
- **Break even occupancy** – Occupancy level needed to generate enough rental income to pay all expenses and mortgage payments.
- **Buyer Broker** – A broker representing the buyer.

- **CAP Rate** – Net operating income divided by property value (or purchase price). Measures a property's rate of return for a single year. It does not include debt.
- **Capital Expenditures** – Larger expense items that have longer useful lives – i.e. roof, parking lots, AC unit, etc.
- **Capital Stack** – The combination of funding sources to complete a deal. Includes equity and debt.
- **CCIM** – Certified Commercial Investment Member
- **CMBS** - Commercial Mortgage Backed Security
- **Commercial Multifamily** – 5 units and above
- **CRM – Customer Relations Management****DD** – Due Diligence – inspecting the property's exterior and interior to determine the condition and deferred maintenance (required maintenance that the current seller has not performed); also includes lease and document audit.
- **Defeasance** – A bank term for very stiff prepayment penalties
- **Deferred Maintenance** – Maintenance and repairs that should have been completed but were deferred in order to increase short term cash flow/NOI.
- **Demographics** – Statistical data relating to the population and particular groups within it
- **Disposition** – Disposing or selling of a property.
- **Distributable Cash** – The amount of cash left after operating expenses, reserves for improvements, and senior debt service are paid, which can be distributed to investors
- **Door** – Industry term for each rentable space. Also referred to as "unit".
- **Driving for Dollars** – The process of driving around neighborhoods and looking for potential properties to acquire.
- **DSCR** – Debt Service Coverage Ratio

- **Duplex** – 2 units
- **Economic Vacancy** – This is the % of the rents that is not being collected vs. the rents reflected on the rent roll. Includes vacancy, bad debt/non-payment.
- **EIN** – Employer Identification Number
- **Elevator Pitch** – A short description of your company and mission that you memorize as an answer when someone asks what you do or utilize when seeking partners and/or investors for your real estate investments
- **EMD – Earnest money deposit** – the money you put down on the property at the time of contract.
- **EMD Hard Money** – Money that the seller keeps even if you walk away from a deal.
- **Expenses per unit** – Total expenses divided by total units/doors
- **Garden Complex** – 3 floors or less
- **Gross Effective Rental Income** – The actual rental income collected after netting out bad debt, vacancy, turnover, etc
- **Gross Potential Rental Income** – The rental income that is collected without respect to bad debt, vacancy, or turnover.
- **Gross Rent Multiplier** – the ratio of the price of an investment to its annual rental income.
- **High Rise** – 9 floors and up with elevator
- **HUD** – Department of Housing & Urban Development
- **Investment Contract** – A legal agreement where passive investors no longer control their money and rely on a sponsor to provide a return on their investment
- **IREM** – Institute of Real Estate Management
- **JV – Joint Venture** – When more than one person/entity sponsors a deal.
- **KP (Key Principle) / Sponsor** – someone who provides the necessary financial statements, liquidity, or experience required by a lender.
- **Leverage** – The use of debt to finance an acquisition.

- **LIHTC** – Low Income Housing Tax Credit. The federal government’s primary program for encouraging investment of private equity in the development of affordable rental housing for low-income households.
- **Liquidity** – The availability of cash or cash equivalents.
- **Listing Broker** – The broker that is listing (seller’s agent) the property.
- **LLC** – Limited Liability Company
- **LOI** – Letter of Intent (non-binding offer to purchase – 1 or 2 pages with key terms) This document starts the negotiation process on a property.
- **LTV** – Loan to Value. Mortgage amount divided by property value. The percentage of the value of the property the bank is willing to finance.
- **Maintenance Expenses** – Smaller recurring expenses such as pressure washing, lightbulb replacement, plumbing repairs, etc.
- **Mid Rise** – 4-8 floors with elevator
- **NMHC** – National Multifamily Housing Council
- **NOI** – Net Operating Income.
- **NOI** – Net operating income. Gross effective rent less operating expenses (not including debt)
- **Nondisclosure Agreement** – A legal document whereby someone agrees to keep information confidential
- **Nonrecourse Debt** – Loans where the borrower’s personal assets are safe.
- **OA** – Operating Agreement – The main agreement for an LLC governing how the LLC’s business will be operated.
- **OM** – Offering Memorandum – broker document describing the property.
- **Operating Expense Ratio** – Operating expenses divided by the gross effective rental income
- **PFS** – Personal Financial Statement – Required by most lenders and will list your assets, liabilities, and net worth.
- **Points** – Prepaid interest, paid at the time of closing
- **PPM** – Private Placement Memorandum – A document describing the property, listing various disclosures and/or disclaimers for potential investors, and presenting a pro forma and business plan of the property. Used as a marketing tool to raise money from investors.

- **Price per unit** – The purchase price divided by the number of units.
- **Price TBD** – A price that is to be determined. Contact the broker and they will typically let you know the target price.
- **Primary Market** – A geographic area with 5 million or more people and high investment activity. Detroit, MI has more than 5 million people but has low investment activity so it is considered a secondary market.
- **Pro Forma** – A financial projection.
- **Proof of Funds** – Bank or investment statements proving that the buyer has the available cash to close a deal.
- **Property Traded For** – Term used to represent what a property sold for.
- **PSA – Purchase and Sale agreement** – Contract between the buyer and seller.
- **Quadplex – 4 units**
- **Recourse Debt** – Loans where the borrower is personally liable for the debt, applies to most commercial loans
- **REITs** – Real Estate Investment Trusts
- **Repositioning** – The process of turning a property from one “class” to another by performing needed upgrades, changing the tenant base, etc
- **Reserve Auctions** – A minimum bid amount that must be met at an auction before the seller is required to accept the bid and sell the property
- **Residential Multifamily** – 2-4 units
- **Re-Trade** – The process of re-negotiating a deal after it is under contract. Typically happens during due diligence when a buyer finds information that negatively impacts the financials of the property versus the information originally presented.
- **Risk Fee** – A fee charged to a tenant that has lower credit score.
- **RR** – Rent Roll – lists all tenants, their lease amount and lease start/end date.
- **RUBS** – Ratio Utility Bills System – Billing back the tenants for utilities.
- **Secondary Market** – A geographic area with 2-5 million people and high investment activity. Austin, TX has less than 2 million people but is considered secondary due to investment activity.

- **Syndication** – The process where one person or company (the sponsor) raises funds from a group of investors to purchase a piece of real estate. Typically requires SEC registration.
- **T 3** – Trailing 3 months P&L (Profit & Loss Statements).
- **T I 2** –Trailing 12 months P&L (Profit & Loss Statements).
- **Tertiary Market** – A geographic area with less than 2 million people and/or low investment activity.
- **Triplex** – 3 units
- **Underwriting** – Industry term referring to analyzing an investment.
- **Unit** –Industry term for each rentable space. Also referred to as “door”
- **Value add** – Industry term for upgrading a property to increase its value
- **Walk Up** – 4-6 floors, no elevator
- **Working Capital** – Funds used for the ongoing operation of the property. Typically need to have at least 1 months of rent in working capital.

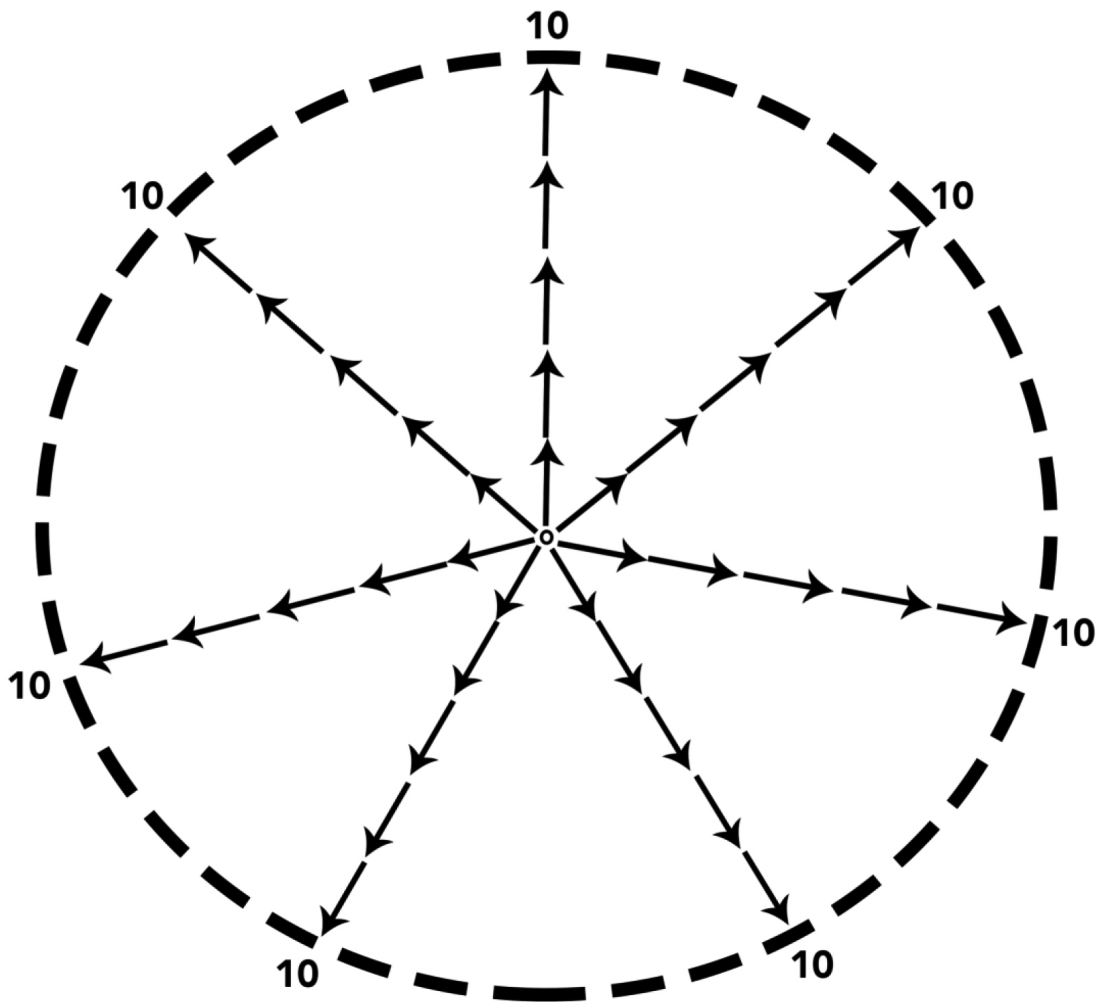
Additional Glossary of Terms Typically Found In Multifamily Term Sheets from Lenders

- **Amortization** – Repayment period of principal, usually 15-25 years for bank loans, 30 years for Fannie Mae and Freddie Mac, 35 years for HUD loans.
- **Application Fee** – Fee due at time of loan application.
- **Balloon** – Outstanding loan amount due at maturity date.
- **Borrower** – Usually single purpose/single asset entity.
- **Brokerage Fee** – Fee paid to broker for arranging loan and monitoring process from application to closing.
- **Ceiling Rate** – Maximum interest rate during loan term.
- **Conventional** – Loan that fits an agency's standard loan program guidelines.
- **Debt Service** – Monthly or yearly amount needed to cover principal and interest payments.
- **Delegated ("DUS")** – A loan which meets all agency requirements to be completely underwritten and closed by lender without pre-approval from agency.
- **DSCR** – Debt Service Coverage Ratio (Net Operating Income/ Principal & Interest).
- **Fees** – Various fees, from application fee, legal fees, third party fees, etc.
- **Hybrid** – Combination of initial fixed term, followed by adjustable period.
- **Index** – Basis to set rate, usually treasury yield for agency loans, LIBOR for Bridge Loans, Prime Rate for bank loans.
- **Interest Only** – Initial period of loan term without principal repayment.
- **Interest Rate** – Rate used to calculate interest payments.
- **Interest Rate Cap (Hedge)** – Derivative instrument to protect against significant interest rates increases, often required by lenders for floating rate loans such as Bridge Loans.
- **Floor Rate** – Minimum interest rate during loan term.
- **Green** – Programs offered by lenders for properties that qualify for significant utility savings, usually at least 20%.
- **Guarantor(s)** – Sponsor(s) or key principals(s) signing on the loan.
- **Key Principal(s)** – Individual(s) signing on the loan; includes sponsor(s), individuals providing required net worth and liquidity, significant passive Investors (usually 25%+ equity contribution).
-

- **Prepayment penalty** – Penalty charged by lender to repay loan prior to maturity date.
- **Loan Amount** – Amount financed by lender.
- **LTC** – Loan to cost ratio
- **LTV** – Loan to value ratio; may refer to in-place value as well as stabilized value.
- **Non-recourse** – Loans that do not carry personal guarantees except for “bad boy” carve-outs such as fraud, gross negligence, etc.
- **Origination Fee** – Fee charged to originate loan; may help reduce interest rate.
- **Purpose** – Allowable use of funds, usually acquisition, refinancing, construction.
- **Property Requirements** – Certain restrictions related to property, e.g. student or military concentration, commercial space, land use restriction agreements, etc.
- **Rate Lock** – Date when interest rate is locked by lender.
- **Recourse** – Full, unrestricted personal guarantees(s) by key principal(s).
- **Step-down prepayment penalty** – Prepayment penalty is calculated as a percentage of outstanding loan which becomes lower as closer one gets to the maturity date (Example: 5-5-4-4-3-3-2-2-1-1 for a 10-year term loan would mean a 3% prepayment penalty in year 5).
- **Spread** – Margin added by lender to index rate.
- **Term** – Duration of loan.
- **Third Party Reports** – Reports ordered by lender such as appraisal, property condition assessment, environmental report.
- **Tier** – Segmentation of loan by lenders, usually based on LTV and or DSCR.
- **Yield Maintenance** – Prepayment Penalty requiring to make lender “whole” for the remaining duration of the loan, i.e. enduring that lender will receive the same yield for the duration of the loan as if the loan was maintained to maturity. Most YM loans have an “open period” towards the end of the loan allowing a prepayment without penalty.

Wheel Of Success

Write every important area of your life around the outer edge of the wheel below. Areas like Family, Health, Relationships, Finances, Career/Mission, Spirituality, Friends. The very middle of the circle is zero and the outer edge is 10. Draw a line across each wedge of this wheel rating yourself in each area. You are rating yourself where you are now.... not where you want to be. Once you've drawn a line in each section, shade the area between that line and the middle of the circle.



1

If you are purchasing a 72-unit apartment complex for \$76,000/door and the bank is willing to lend you \$4,104,000, what is the LTV?

Step 1:

$76,000 \times 72 = \$5,472,000$ Purchase Price

Step 2:

\$4,104,000

$\$5,472,000 = .75 = 75\%$

2

If you are refinancing a 118-unit apartment complex and the bank is going to lend you \$3,360,000 and the property appraisal came back at \$4.2MM what is the LTV?

\$3,360,000

$\$4,200,000 = .80 = 80\%$

3

If you are looking at a property that generates \$100,000 in revenue and \$60,000 in operating expenses, what is the NOI?

$$\begin{array}{r} \$100,000 \text{ Income} \\ - \$60,000 \text{ OPEX} \\ \hline \$40,000 \text{ NOI} \end{array}$$

4

If you own a property that yields a net operating income of \$1.8MM and has a top line gross income of \$3MM, how much are the operating expenses?

$$\begin{array}{r} \$3,000,000 \text{ Income} \\ - \$1,800,000 \text{ NOI} \\ \hline \$1,200,000 \text{ OPEX} \end{array}$$

5

If you are looking at a building that shows \$320,000 NOI and you want to offer \$4MM, what is the cap rate on the offer?

$$\frac{\$320,000}{\$4,000,000} = .08 = 8\%$$

6

If a property listing shows an NOI of \$1MM and the offering price is listed at \$16MM, what is the cap rate of the offer?

$$\frac{\$1,000,000}{\$16,000,000} = .0625 = 6.25\%$$

7

If the market cap rate for a building is 6.7% and the net operating income is currently running at \$134,000, what is the current market value of the property?

$$\frac{\$134,000}{0.067} = \$2,000,000$$

8

If the NOI for a property you're looking at is \$55,000 and the property is listed for \$550,000, what is the cap rate on the property?

$$\frac{\$55,000}{\$550,000} = .01 = 10\%$$

9 If you know the market cap rate in your area is 8% and the property you're looking at is listed for \$5MM, what would you expect to see for NOI?

$$\begin{array}{r} \$5,000,000 \\ \times \quad 0.08 \\ \hline \$400,000 \end{array}$$

10 If a property you found shows a gross income of \$100,000 and operating expenses of \$30,000, what is the OER?

$$\frac{\$30,000}{\$100,000} = 0.3 = 30\%$$

11

If you bring in \$520,000 in revenue with an existing property and spend \$234,000 in expense each year, what is your OER?

$$\frac{\$234,000}{\$520,000} = 0.45 = 45\%$$

12

If you were in the following scenario, what would your COC return be? You are looking at purchasing a property for \$4.2MM, you plan to have \$300K in closing costs to cover, and the bank is going to lend you 75% of the value of the property. The bank has offered a loan at 5% with 30-year amortization. The current NOI on the property is \$320,000. After the monthly mortgage payments of \$16,909.88 (or \$202,918.56 annually), you will have \$117,081.44 left.

12

Step 1:

$$\text{\$4,200,000} \times 0.25 = \text{\$1,050,000}$$

Step 2:

$$\frac{\text{\$117,081.44}}{\text{\$1,050,000} + \text{\$300,000}} = 0.087 = 8.7\%$$

13

If you are underwriting a property that has \$56,000 NOI and the bank wants you to budget \$4,500 for CAPEX reserves and the annual debt service is \$39,000, what is the DSCR?

Step 1:

$$\text{\$56,000} - \text{\$4,500} = \text{\$51,500}$$

Step 2:

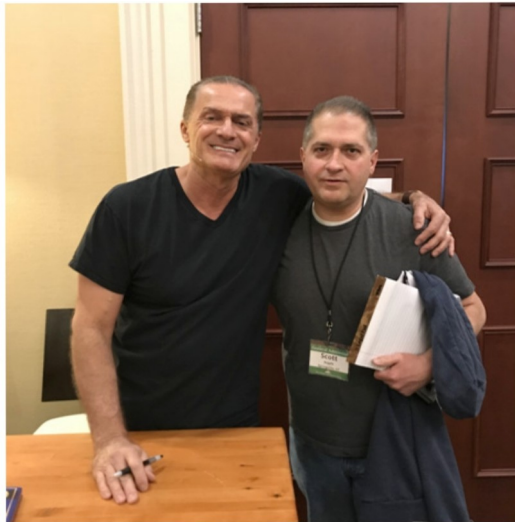
$$\frac{\text{\$51,500}}{\text{\$39,000}} = 1.32$$

14

If you are looking to buy a property with \$1.2MM NOI and no CAPEX reserves and your annual debt service is \$1,031,000, what is your DSCR?

$$\frac{\$1,200,000}{\$1,031,000} = 1.16$$

"Thank you for all you have done for me. I have reached every goal we set for this year! You have made a profound difference in my life!"
Warrior Will Yoder



Warrior Scott Argyle purchased a 14 Unit. Now has \$5,000 in cash flow.
"Rod, Thank you for all you have done for me!"

Warrior Edward Lowell bought my course in December of 2017. Now has 95 units \$23,000 per month net cash flow!



The Lifetime CashFlow System

Warrior Garrison
Gilbert now owns
638 apartment
doors and other
properties
Cash flowing
\$62,000 per month



"Thank you Rod!
I now have 68
units & \$20k in
net cash flow!!"

Matt Spangenberg
Warrior

"Before we met
Rod we did not
have any
multifamily
property. We now
have 1221 units!"

-Jacob Blackett



Jacob Blackett



Sterling White

The Lifetime CashFlow System

"Since joining the Warrior program, I have 2,776 units and a wholesaled 1 deal at 587 units."

- Ed Modzel



"Joining the Warrior Group was the best financial decision of my life.

Thank you, Rod." - Ed Modzel



"I am now at over 500 units!

I am very grateful for all of your help Rod!"

- Joseph Gozlan

Warrior Colby
Bowers
Retired military
now in 652 units.
Gives 20% of profit
to Veterans
and first responder
charities



The Lifetime CashFlow System

"I presently own/control a real estate portfolio in excess of \$22 Million and I would not be where I am without Rod's friendship and mentorship."



Kevin Bupp



Warrior Nick Contessa first bought a 7 unit and now has over 313 units and said:

"Rod thanks for putting me outside my comfort zone"

Warrior Jens Nielson. Jens is an avid cyclist and joined Warrior program in May of 2017. Jens now owns over 1900 units.



This is Steeve Breton. He joined the Warrior program in June of 2017 and did his first syndication of 130 units in January of 2018. Then he really took off. He now owns over 2,589 units and retired from his high paying W2 job in June of 2019 because his income from his properties had eclipsed his significant W2 pay.



JENNIS
GROUP, INC. '19



"One of the best real estate decisions I've made was to join Rod's Warrior program. It's really taken my investing career to the next level. I now have over **1000** units"

- Powell Chee

Warrior Eric Upchurch. He has a consuming full time job and two young boys and he was able to get to 571 units his first year with me! All with that full time very demanding job and still have time to be a great dad. **He is now at over 1,200 units.**



The Lifetime CashFlow System

I started Rod's coaching program in 2019 and I am now up to 175 doors. I appreciate the expertise of your coaches. It makes the process much easier!
-Kevin Easterly



We started getting into multifamily investing in 2018 - your bootcamp was the very first seminar we ever attended. Since then, we've attended more than 3 times!

When we started in your bootcamp, we only had 1 SFH and a duplex. We did some flips and rehabs in between then, but nothing consistent. Since being a part of the Warriors, we have grown to 20 doors (JV and personally owned) and involved in 2 syndications (1 LP and 1 GP). Collectively, we have just under 850 doors! You were absolutely right on taking massive action! To date, we still don't have a website and barely got business cards. We were passionate about sharing what we do and folks believed in us enough to listen and invest with us.

We can't thank you enough on sharing your wisdom and knowledge about this business. We have enjoyed the ride and look forward to our continued growth personally and professionally!

-Doris Ng

Philip Grossmann and I wanted to thank this group & especially to Rod Khleif Robert Ritzenthaler, Our Coach Jacob for making our goals a reality. This all happened in the past month. We have been quiet but still very active in the real estate group. We were waiting for the ok from our coach and closing of the deals. My goal for 1 year was 1 LP for 100 doors and learn as much as we can to eventually be apart of a GP deal. Well Because we are surrounded by so many amazing people and its really about endless work and our network really is your net worth. We can now say We have 2 LP and a small part as GP investors relation, asset management & My smart Hubby software finding deals and building the most authentic relationships as possible. We have a percentage in 406 doors and now we can say of these doors 156 of them are as GP. We are really grateful for all the genuine connections and people have met because of proximity. - Damaris Maria



The Lifetime CashFlow System



ATLAS FINANCING PACKAGE

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FINANCING “MYTHS”

1

Sophisticated and Experienced Sponsors Know all Financing Solutions

2

Larger Transactions are More Complicated and More Difficult Than Smaller Transactions

3

Financing is Only Available for Experienced Operators

4

Lenders Require High Income on Tax Return for Approval

7

REALITY

Financing Markets Constantly Change

Sponsors With 10,000 Units + Use Coaches, Mortgage Bankers, and Professionals to Assist in Financing

Larger the Transaction = More Creative and Attractive the Financing

Lack of Experience can be Overcome

Most Commercial Real Estate Lenders do not Ever Read your Personal Tax Return

8

COMMERCIAL REAL ESTATE DEFINITIONS

>Loan to Value	>Economic Occupancy
>Loan to Cost	>Net Operating Income
>Loan to Stabilized Value	>DSCR (DEBT SERVICE COVERAGE RATIO)
>Stabilized Acquisitions	>Principal/ Borrower
>Transitional Acquisitions	>Recourse vs Non-Recourse
>Physical Occupancy	

TYPES OF APARTMENT LENDERS

- Bank
- Credit Unions
- Freddie Mac
- Fannie Mae
- CMBS
- Life Insurance
- Bridge/ Transitional

LENDING CHARACTERISTICS

TYPE	TERM	AMORTIZATION	LOAN TO VALUE	NOTES
Banks	Floating or 5-7 Years Fixed	20-25 Year	Up to ~75%	Full Recourse Personal UW
Credit Union	5, 7, 10 Years Fixed	20, 25 or 30 Year	Up to ~75%	Usually 0% Prepayment
Fannie Mae/ Freddie Mac	5, 7, 10, 12, 15 Years Fixed	30 Year	Up to ~65% Market Specific	Non Recourse
CMBS	10 Years Fixed	30 Year	~65% LTV	Non Recourse
Life Insurance Co's	10, 15, 20, 25, 30 Years Fixed	Self Amortizing/ 25 / 30 Year	60-70% LTV	Non Recourse Lowest Fixed Rate
HUD/ FHA	30/ 35 Years Fixed	Self Amortizing	Up to 80%*	1 Year Closing Process
Bridge/ Transitional	Usually Floating Some- times Fixed	Usually Interest Only	Up to 85%* + renovation costs	Most Acquisition Lending Today*

11

AGENCY LENDING

> Usually Leading Market Share Stabilized Properties

Only 1.25-1.30 DSCR

> 65-80% of Purchase Price

> No Renovation Financing Included Non-Recourse
with No Covenants



Fannie Mae



12

FNMA vs. Freddie Mac

Fannie

- > Non Recourse
- > 10/12 Year Term
- > Up to 5 Years IO/ Exit Test
- > Up to **65%** Leverage
- > Prior Experience/Ownership
- > Supplemental Available
- > Rehab Can be Added into Loan
- > Typically Interest Rate Lock at Loan Commitment- 45 Days

Freddie SBL

- > Non Recourse
- > 10/20 Year Term
- > Up to 3 Years IO
- > Up to **65%** Leverage
- > Need 3rd Party Management
- > No Supplemental (2nd lien)
- > No Rehab into Loan
- > Interest Rate Locked up Front
- > No Replacement Reserves/Ins

13

Financing Multifamily Acquisitions

Bank

- > Stabilized/ Non-Stabilized
- > Recourse Guarantee and Underwriting
- > 20–25-Year Amortization
- > 5-7 Year Terms
- > Limited Interest Only
- > Up to 75% LTV
- > Rehab can be Included
- > Post Closing Liquidity 10%
- > Net Worth = Loan Amount

Bridge

- > Always Transitional
- > Non Recourse
- > Interest Only for Life of Loan
- > Floating Rate
- > 3-5 Year Terms
- > Up to 85% LTC (Purchase + Capex)
- > Negotiable Liquidity Requirements
- > Net Worth = Loan Amount

14

SHOPPING FOR A LOAN SPONSOR

- 1 Understand Your Partners Objectives (What do they get out of it)
- 2 Understand Recourse vs. Non Recourse
- 3 Understand Covenants, vs. Non Covenants
- 4 Who is Going to Manage the Asset?
- 5 Be Specific in Liquidity Requirements
- 6 Get an Attorney Involved Early
- 7 Is Sponsor a Short or Long Term Partner for Financing?

15

TYPE	MAX LTV – ACQUISITION	MAX LTV – REFINANCE	MINIMUM DSCR
Top Markets	55%	80%	1.20x
Standard Markets	60%	80%	1.25x
Small Markets	65%	70%	1.30x
Very Small Markets	67%	70%	1.40x

Market Tiers

Top Markets: Certain Counties (but not all) in the following MSAs: New York, Los Angeles, Chicago, Washington DC, San Francisco, Miami, Boston, Seattle, San Diego, Minneapolis, Denver, Portland, San Jose and Stamford, CT.

Standard Markets: Typically, greater than 60k rental population (determined by Census Bureau). Most MSAs of significant size, including Counties of Top Market MSAs which are excluded from the Top Market List.

Small Markets: Typically, between 30k – 60k rental population. Smaller MSAs (examples: Fayetteville NC, Salem OR, Green Bay WI, Amarillo TX, Topeka KS)

Very Small Markets: Typically, less than 30k rental population. Very small Markets of MSAs (examples: Sioux Falls SD, Albany GA, Abilene TX, Panama City FL, Napa CA)

16

UNDERWRITING CASH FLOW

INCOME

Gross Potential Rent	In-Place Annualized	In-place rents annualized plus vacant units at market rate (Rent for models and employee units can be included in GPR but then deducted in the expenses). All rents are subject to Market-to-Market.
Vacancy	5%	Greater of market, actual or 5% (3% for Top Markets)
Other Income		Generally, laundry, application, vending, parking, late charges (if 2-year history)
Commercial Income	<40%	Actual rents, parking, storage – must not exceed 40% of EGI
Effective Gross Income		As a rule, should not exceed 3 months (T3) annualized

EXPENSES

Real Estate Taxes	Curr + 10%	Certain states require a reassessment based on purchase price, tax abatements considered on a case-by-case basis
Insurance	Est \$350/unit	For purchase transactions, estimate based on new policy at RCN
Management Fee	4% - 5%	Of EGI
Payroll	Hist + 3%	Typically, historical plus 3%, minimum \$200-\$300 per unit
Utilities	Hist + 3%	Normalized, historical plus 3%
Administrative	Hist + 3%	Typically, historical plus 3%, minimum \$150 per unit
Repair & Maintenance	Hist + 3%	Typically, historical plus 3%, minimum \$650-\$750 per unit
Replacement Reserves	\$200-\$300	Underwritten but not collected; \$200 per unit (1-2 years old), \$250 per unit (gently worn/minimal deferred maintenance), \$300 per unit (average to below average/B to C+ properties)
Operating Exp Ratio	>35%	Operating Expense Ratio (OER), typically not less than 35%

17

PREPAYMENT PENALTY OPTIONS

"Standard" Pre-Payment

5 Year: 5-4-3-2-1

7 Year: 5-5-4-4-3-2-1

10 Year: 5-5-4-4-3-3-2-2-1-1

For Hybrid ARM's, same prepaes apply with an additional 1% prepay during the floating term until last three months which are open. The 1% may be waived if refinancing to another Freddie Loan program or property is sold

"Soft" Step Down Available for Additional 15 Basis Points to Rate

5 Year: 3-2-1-1-1

7 Year: 3-3-2-2-1-1-1

10 Year: 3-3-3-2-2-2-1-1-1-1

"Soft" Alternative – All Markets – for Additional 20 Basis Points to Rate

5 Year: 3-1-0-0-0

Yield Maintenance Pre-Payment (Greater of YM + 1% or 2% of loan balance)

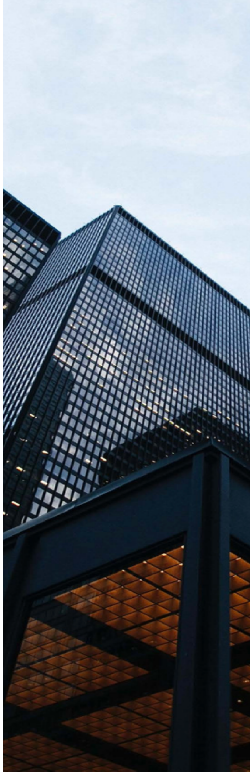
5 Year: minus 15 basis points

7 Year: minus 20 basis points

10 Year: minus 20 basis points

>Assumable: Subject to 1% fee plus borrower due-diligence >Escrows: Taxes only (can be waived if <65% LTV) >Replacement Reserves: Waived

18



BORROWER PRINCIPAL REQUIREMENTS

Financial Requirements of Borrower Principal(s):

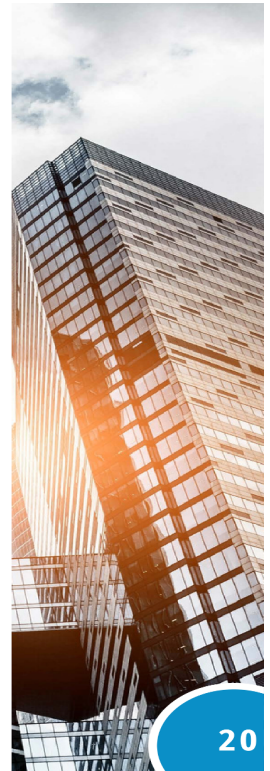
- 9 months P&I pre-closing liquidity (cash + cash equivalents)
Assets in retirement accounts not included
- Total Borrower Principal's net worth must be > loan amount
- Credit score: > 650
- No borrower defaults, bankruptcies, foreclosures, deed-in-lieu for seven years
- Borrower Principal Experience: At least one year multifamily or CRE experience preferred and/or ownership and management of other properties in locale (case-by-case)
- Eligible Structures: Must be US Entity: Corporation, LLC, LP, GP, Trust (irrevocable trusts and revocable trusts with a warm body guarantor), Co-Tenant, Individual
Single Asset Entity not required but preferred; special purpose entity not required
- Co-Tenant (TIC) structures require no greater than 5 co-tenants and each co-tenant is a single asset entity
- Borrower Principal: Individuals (not entities) that control and manage the Borrower. Lender has discretion to determine Borrower Principals who are vital to the successful operation and management of the Borrower and Property

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BORROWER PRINCIPAL REQUIREMENTS

Borrower Principal Defined

- Any person or entity holding in aggregate 25% (10% for Foreign Guarantor) or greater interest in Borrowing Entity
- All General Partners
- All Managing Members
- All Trustees of Trusts designated as a Principal
- Non-U.S. Principals are not eligible



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CONTACT INFORMATION

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MERRILL KALISER, JD (1999)- mkaliser@kaliserlaw.com

Legal Expertise:

- Former Corporate Bankruptcy and Restructuring Attorney for 8 years, then Commercial Real Estate, Corporate and SEC Attorney for the last 16 years. My firm represents 250+ real estate transactions and syndications, annually, as well as wills and trusts.

Real Estate Experience:

- Bought, renovated, property managed and sold 9,500+ SFRs
- GP on 8,200+ multifamily Units (\$1B AUM)
- GP on 5 Multifamily Development projects (3,400+ Units)
- GP on 3 B2R Development projects (800+ Units)
- GP on 11 Car Wash Development projects (6 cities)



CORPORATE STRUCTURE GOULASH

Selecting the appropriate business structure is vital for legal liability, taxation, and operational efficiency. This guide summarizes the pros and cons, liability differences, and tax implications of the following business structures:

- Sole Proprietorship
- General Partnership
- Limited Partnership (LP)
- Limited Liability Company (LLC)
- Corporation



BUSINESS STRUCTURES

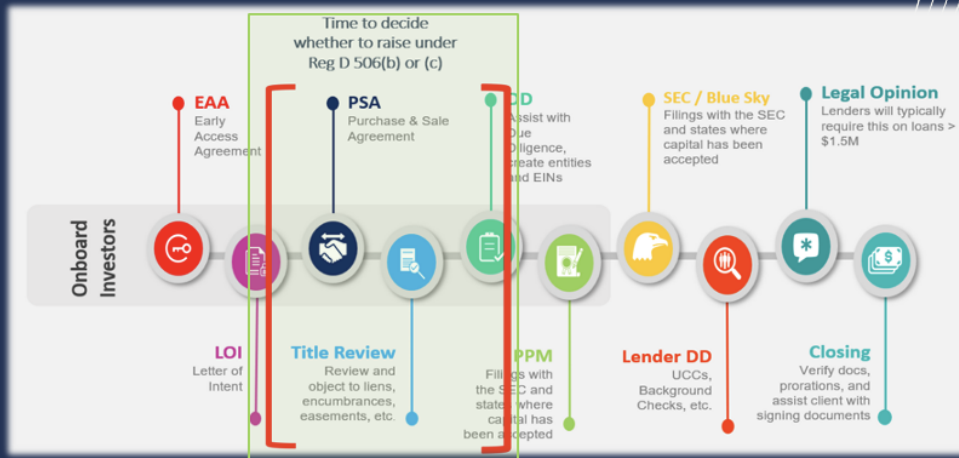
Business Structure	Liability	Taxation	Pros	Cons
Sole Proprietorship	Unlimited personal liability	Pass-through taxation to owner's personal return	- Easy to establish - Complete control - Simple taxes	- Unlimited liability - Limited capital - Lack of continuity
General Partnership	Unlimited personal liability for partners	Pass-through taxation to partners' personal returns	- Combined resources - Shared decision-making - Simple taxes	- Joint liability - Potential conflicts - Limited lifespan
Limited Partnership	General partner: Unlimited	Pass-through taxation	- Limited liability for limited partners	- General partner's unlimited liability
	Limited partners: Limited to investment		- Attract investors	- Complexity
				- Limited control for limited partners
Limited Liability Company	Limited liability for members	Flexible taxation options	- Limited liability - Flexible management - Tax choices	- Formation costs - Varying state laws - Self-employment taxes may apply
Corporation	Limited liability for shareholders	C Corp: Double taxation	- Limited liability	- Complex regulations
		S Corp: Pass-through taxation	- Capital through stock	- Higher costs
			- Perpetual existence	- Double taxation (C Corp)



DECISION FACTORS

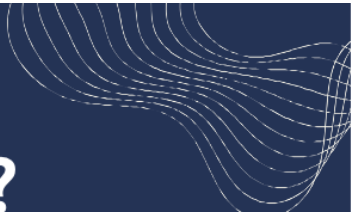
Factor	Sole Proprietorship	General Partnership	Limited Partnership	Limited Liability Co	Corporation
Ease of Formation	Very easy	Easy	Moderate	Moderate	Complex
Liability Protection	None	None	Limited for some partners	Yes	Yes
Management Control	Sole control	Shared among partners	General partner control	Flexible	Board of Directors
Capital Requirements	Limited to owner's resources	Increased via partners	Attracts investors	Flexible	Can issue stock
Taxation Flexibility	Low	Low	Low	High	Moderate
Regulatory Requirements	Minimal	Minimal	Moderate	Varies by state	Extensive
Continuity of Business	Ends with owner	May dissolve if partner exits	Depends on agreement	Perpetual or defined	Perpetual
Attractiveness to Investors	Low	Moderate	High (for limited partners)	Moderate to High	High

SYNDICATION 101





WHAT IS SYNDICATION?



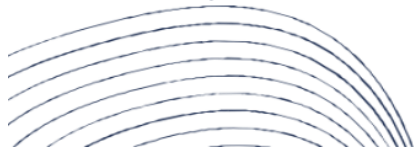
In the context of raising capital, a syndication refers to the process where a group of investors or financial institutions, such as banks or investment firms, come together to collectively provide funds for a single borrower/sponsor or a project. In our case, the project is typically going to be a multifamily asset.



WHAT IS A JOINT VENTURE?



A joint venture (JV) is a business arrangement in which two or more parties agree to pool their resources and expertise to achieve a specific goal or undertake a particular project (in our case acquisition of a multifamily asset). This collaboration typically involves the creation of a separate legal entity, owned by the participating parties, which is responsible for the joint venture's operations, management, and financial obligations.



CAN YOU SYNDICATE WITHOUT BEING A LICENSED BROKER/DEALER?

Under the SEC, the general answer is “**NO**.” However, you can raise capital within certain legal guidelines by using exemptions under Reg A, **Reg D** or Reg S.

NO

ACCREDITED INVESTORS VS SOPHISTICATED INVESTORS

Accredited Investors:

- Net worth of \$1M+ (exclusive of homestead); or
- Income (if single) \$200K+ for the last 2 years and anticipate the same this year; or
- Income (if married) \$300K+ for the last 2 years and anticipate the same this year.

Sophisticated Investors:

- Do not meet the requirements of an Accredited Investor

There are some proposed changes to “Accredited Investor” requirements, such as removing the monetary threshold and replacing that with a “knowledge-based” test. The alleged purpose is to allow those that currently do not meeting the income test, to still be able to invest as an Accredited Investor.



REG A, REG D & REG S

Regulation D	Regulation S	Regulation A
- 506(b) or 506(c) - Accredited Investors - Sophisticated Investors - No Audited Financials	- No fling with the SEC - Only for foreign investors who do NOT reside in the United States	- Crowd Funding - Audited Financials - Approval by the SEC - <u>Typically</u> non-accredited investors with small investment amounts



REG D 506(B) OR (C)?

There are two exceptions to the broker/dealer requirement under Section 506. You can either elect to do a 506(b) or a 506(c) raise. In some instances, you can start with a 506(b) and convert it to a 506(c) – *generally, I do not recommend this, especially for inexperienced sponsors/syndicators.*



REG D 506(B):

- No Limit to the number of Accredited Investors
- Up to thirty-five (35) non-accredited or sophisticated
- NO General Solicitation of Advertising!!!**
- Must provide info about the company, financial statements, business plans, description of the securities being offered (i.e., PPM – private placement memorandum)
- Form D must be filed with **15 days** of the first sale of a security!

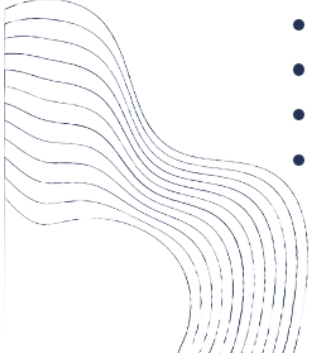
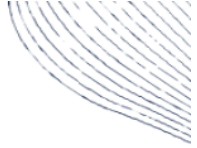


REG D 506(C):

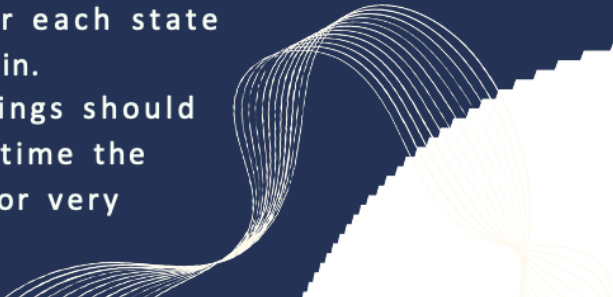
- ACCREDITED INVESTORS ONLY!**
- General Solicitation and Advertising Allowed**
- Sponsor has the burden (and liability) to prove that the potential investor is a “Accredited Investor”
- Form D must be filed with 15 days of the first sale of a security!



EVERY SYNDICATION HAS TO HAVE A PPM

- 
- 
- Cover Page
 - Executive Summary
 - Investment Risks
 - Offering Terms
 - Company Overview
 - Management Team
 - Financial Information
 - Business Plan
 - Legal Matters
 - Securities being offered
 - Subscription Agreement
 - Company Agreement
 - Investor Questionnaire

WHAT HAS TO BE FILED WITH EACH REG D

- 
- 
- File **“FORM D”** within 15 days of taking your first investor subscription
 - **Blue Sky filings** – registration and filing of security offerings with state regulatory authorities for each state that an investor resides in.
 - Typically, Blue Sky filings should be done at the same time the investment is taken (or very shortly thereafter)

PENALTIES FOR RAISING CAPITAL INCORRECTLY!

- Civil Penalties (\$\$\$)
- Criminal Penalties (fines, imprisonment or both)
- Cease & Desist Orders
- Injunctions
- Rescission
- Rights
- Loss of Exemption
- Reputation Damage

GET IN TOUCH WITH US



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