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**REMENTOR, INC.
100 Weymouth Street, Rockland, MA 02370
781-878-7114 and fax 781-878-7115**

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**RE Mentor Inc.
100 Weymouth Street Building D
Rockland, MA 02370
1-781-878-7114**

Private Money Mastery

**How to get all the money you will ever need to
fund your deals**

**By
David Lindahl**

**RE Mentor, Inc
100 Rockland Street, Building D
Weymouth, MA 02370
www.Real-Estate-Fortune.com
Dave@real-estate-fortune.com**

**Visit my website at www.rementor.com, or
call 781-447-6881 for a list of all my real estate investment information.
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Introduction

Congratulations on obtaining *Private Money Mastery: How to get all the money you will ever need to fund your deals*. By purchasing this program, you have taken one of the most important steps to securing financing for your real estate investing business. You are continuing your education in a critical area, finding and securing private money. When you finish this program, you will have learned what to do, what not to do, how to create relationships with private money investors and find many sources to fund those deals.

This program is a system designed for you to use over and over again in your real estate business. It comes complete with forms, worksheets and presentations that -- if used each and every time you do a deal -- will help you achieve success. Not only will this system help you become successful, but it will also allow you to build your business to the level that you want it to be, at a much faster and profitable pace than if you were to do this business like I did, by trial and error.

Whether you are just beginning in real estate investing or have a good deal of experience, this course will give you the tools and the skills that you will need to successfully approach private money investors.

What separates the “wanna be” investor from the wealthy investor is knowledge and skill. This comprehensive set will give you the knowledge and skills you will need to be a wealthy investor.

Study these cds and manual. Apply what you learn, learn from your mistakes, and most importantly, take action! Without action, all the skills and knowledge in the world won't earn you a dime. Like Nike's motto, “Just do it.” By following these guidelines, you too will be a wealthy investor.

What gives me the right to teach you this course?

Are you wondering whether or not I'm actually qualified to teach you how to find private money? Good, because it's good to be skeptical. If the person teaching you hasn't done what he is teaching, you're learning from the wrong person.

Over the last decade, I've raised more tens of millions of dollars to buy real estate. I didn't go to school for it. All of my knowledge in raising private money is self-taught or learned from being mentored by people who knew how to do parts of it. But I wasn't always so eager to teach myself and learn from others. As a matter of fact, when I left school, I worked for a bank for five years. Somewhere near the end of the fifth year, I had had enough of working for someone else and decided to start my own business. It

was April and I lived in New England, and that's just about the time that the grass starts growing again after the long winter.

After I saw a few overgrown lawns, it gave me the idea of opening my own landscaping business. Being a budding entrepreneur, I rode around neighborhoods looking for houses that had tall grass. When I spotted one, I went to the door and asked them if they would like quality lawn service at a fair price. Fortunately, enough people accepted my offer for me to earn a living, and my new landscaping business was started.

That first year I got up to 50 lawns. I felt great! The money was really flowing in and I was living my dream. But in New England, by the end of October, the lawns stop growing and there is nothing else to mow. Winter came, and I had to wait until the spring to start making money again.

Not knowing what to do, I did what every other landscaper does in the winter, I bought a plow truck and plowed. That was O.K., but the work wasn't steady. I was talking to one of my former banking friends about my dilemma and he told me that his bank had just taken a house back on foreclosure. He asked if I would be interested in putting a bid in on the property to do the rehab work that would be necessary to put the house back on the market.

I said yes. I got the address and the keys and then went home to contemplate my new dilemma. I had never done repair work on a house before. It was all my father could do just to get me to help paint his house once every four years. As a matter of fact, I had a hard time passing woodshop in high school.

But I persevered. And while the story of how I accomplished the rehabbing of that first house is interesting, the main point here is that it started me on my real estate investing career. Soon I was looking at buildings that I knew were fantastic deals, but I didn't know how to fund them. It's not like a bank is going to bend over backwards and continually lend me money. Many banks have a limit on the number of mortgages any one person can have.

What did I do? Well like I have always told my students, when in doubt, get educated by people who know what they are doing, who know what pitfalls to avoid. So I went to my local real estate investor's club meeting. There I watched an investor get up in front of the club and talk through the specifics of the deal he was contemplating. That gave me an idea.

At the next meeting, I asked the club leader if I could have a few minutes to talk to the group. He said yes, and so, with notes in hand (I was petrified!) I got up in front of what to me was a huge group, and I told them about the apartment building I was looking at, and about how great a deal it was. I told the group who I was, and how I had successfully invested in several properties. And then I told them that as good as this deal is, I didn't know where to find the money to finance it. I ended by telling them that if any

of them had any ideas, I definitely wanted to talk to them in the back of the meeting room.

And you know what happened? When I was done, a bunch of the people who had listened to me followed me to the back of the room and asked me where the property was located. Well, I may have been born at night, but it wasn't last night, and I said I would be glad to tell them if they would help me finance it. By the end of the night, I had more money pledged for the property than I needed. That's how I started. And as innocent as it sounds, it is the basis for how I have raised hundreds of millions of dollars since then.

How did I do it? I did it because I decided that I was going to do it and nothing was going to stop me. I read every book I could get my hands on and listened to every tape. I did what ever it took to get it done.

Life is funny that way. You can very easily talk yourself out of something, which most people do. Or you can decide that you are going to do something and nothing is going to stop you. Either way, you will get the results that you are after. After all, why not maintain a winning, positive attitude? As you think, you shall become.

I've been to seminars and have talked to students who seem like their main reason for being at the seminar is to prove that what they are there for doesn't work or can't be done in their area. What a waste of time! Of life! I'm proof that if you decide to do it, it can be done, regardless of your beginning skill level.

You've got it easy. Throughout this course, I'm going to lay out to you exactly what you need to do to be successful when you are looking for private money. You don't have to make the same mistakes I did. I'm going to take years off your learning curve, and you will make back many, many times what you paid for in this course.

Chapter 1: Funding Sources

As a real estate investor is important to understand the different types of funding sources that are available and how those funding sources fit into your business. As we have noticed in recent years, the financial markets, as well as the real estate markets, can have a huge impact on the availability of funding. As the economy tightens so do the funding sources.

It is important to understand as we go through this training material that we are not suggesting you turn away from your traditional funding sources. In fact, understanding how and when to utilize **all** of the funding sources available to you is crucial for your success.

The most common and traditional funding for real estate has come in the form of the **mortgage**. The first 30 year mortgage was developed in 1934 by the Federal Housing Administration (FHA), which was created to insure mortgage lenders against default on loans. By easing the default burden on lending institutions, this allowed for more mortgages to be created. Just four years later, the Federal National Mortgage Association (FNMA), known today as Fannie Mae, was created. FNMA bought these FHA insured loans and sold them as securities in the market place.

Mortgages since 1934 have evolved to meet the challenges of an ever changing economy. Today, mortgages tend to be 15 or 30 years in length and have fixed or variable interest rates. The rate of interest is dependent on your credit score and credit history. As an investor with a high credit score and a great credit history, mortgages are still a viable option in your business. Mortgages allow you to structure various deals around your financing and financing terms.

The disadvantage of mortgages is that it requires paperwork and time; and time equals money, money that is lost if it is tied up doing paperwork. Also, depending on the complexity of your deal, this process can take weeks to months to complete. Mortgages typically require a down payment, and this can range anywhere from 10% to 40%, depending on the real estate transaction. Banks and other financial institutions can also limit the number of mortgages that you can have in your personal name, this can be anywhere from 4 to 10.

If you want to build your real estate investments utilizing mortgages, don't get discouraged. In this course we will demonstrate to you how you can still have mortgages but utilize private money to fund the down payment. Again, knowing your funding sources and how to use them in your real estate transactions is critical to your success.

Another funding source that is available to real estate investors is really a series of strategies often referred to as **creative financing**. Creative financing utilizes such techniques as owner financing and lease options to sell or acquire real estate. These

techniques are also referred to as the “no money down” or “low money down” deals. Creative financing can be a successful investment strategy but it will not apply to every deal that you find and if you are only looking for the no money down deals, you will miss some of the tremendous opportunities that are available in today’s market.

By now you have realized that while there are opportunities to invest in real estate without money, having money or cash available to invest can make the difference between closing a deal or missing the deal altogether. So where do you find the extra cash that you need to make this happen? There are three options, two of which are the focus of this training material.

One option is to seek out **hard money lenders**. A hard money lender is similar to a bank but their loan terms are shorter, typically 6-12 months. Hard money lenders will also charge high interest rates in the form of points. It is important to understand that one point is similar to one percent of the loan value, so for every \$100,000 that you borrow, each point will cost you \$1,000. For example, if you borrow \$100,000 at 10 points, you will pay back an additional \$10,000.

Typically you would utilize a hard money lender if you anticipate a quick turn around on a property. Due to the fact that the loan is due in such a short amount of time there is no opportunity to create cash flow and therefore you minimize your potential profits. Hard money loans might be a good option if you are going to rehab a property where you have a mortgage but insufficient cash flow to complete the work.

The second and third option is bundled into a category called **private money lenders**. Private money lenders or partners, as we will refer to them throughout this manual, can be **debt partners** or **equity partners**. In the simplest of terms, they are individuals with money who are interested in investing in your real estate deals for a return on their investment. The rest of this manual will discuss who private money investors are, how you find them, how you present your business deals to them, and what government regulations you must follow in your business.

Chapter 2: What is Private Money?

As we discussed in the previous chapter, there are various sources available to fund your real estate deals. You can go to the bank and qualify for a mortgage; you can utilize no money down transactions; you can seek out hard money lenders with short term loans; or you can put effort into creating a business around “other people’s money” (OPM). Private money is essentially money that is invested into your real estate deal by friends, family members, business people or business organizations. It comes from the relationships that you have built, and will build, during your real estate investment career.

Let us assume that you have a lot of money and you do what most people do, deposit it in your bank account. The bank then loans “your” money to people who need it to buy homes, automobiles, or commercial properties. The bank pays you a very minimal interest rate while it charges the individuals borrowing the money 5-10% in interest, points, underwriting fees, etc. Guess who is getting rich off of your money? When the bank loans you money for a home they have certain documents that secure the loan, a mortgage and a promissory note. Why not provide the same documentation for your private money partners and secure them in a first position like the bank does to their borrowers? This secures the loan that in the event you fail to pay, they get the property. The best part of this is because you are using their money you can buy properties at a discount therefore making the deal for the investor much more secured.

Private money partners are just like you and me; they come from all walks of life and may or may not know the first thing about real estate investing but they do know about investing. They have money that may be currently invested in CDs, mutual funds, the stock market, IRAs, or a simple bank savings account. They understand investment risks and are looking for opportunities to make a return on their investments.

Why do you need private money?

So why do you need to be proactive about finding private money? Money is the life blood of your real estate operation. If you do not have access to cash you will not be able to make the deals. At some point, the money you currently have or the funds you are able to borrow from the bank will run out. Private money can be the solution and become a very consistent source of funding for you. As you develop and grow your relationships, because real estate investing is a relationship business, more funds will become available to you. So there is no better time than now to ensure you are doing what you can to get those extra funds.

Let me give you an example. When was the last time you were at a real estate auction or foreclosure auction? Did it seem like the same people are buying *all* of the houses? Do you think they have bank secured mortgages on all of the properties that they just purchased? No, they are able to do these deals because they have the cash, and this cash can be in the form of private money partners. They are staying outside of the

lending institutions to fund their deals. This gives them power over you and the other real estate investors in the room. What if you had this same power? What would your real estate career look like today if you could go to the foreclosure auctions, the “as is” auctions and purchase the properties that fit into your real estate business without the hassle of a mortgage? You need private money so you can get more deals and be competitive in the market place. Private money gives you enormous power.

Raising private money will certainly take you to another level and allow you to make larger profits. Having unlimited amounts of capital at your disposal gives you the ability to purchase land, buildings, single family homes, multi-family homes and buy them at significant discounts. When a seller needs to sell and there is a need to get out of their current situation they may not have the time to wait for you to secure a mortgage that could take 30-45 days to process. Are you just letting these deals go by?

What if you found a property on 123 Emerging Street and the seller was going through a job loss, was behind on payments (pre-foreclosure) but had some equity in the property. Since they are behind on payments the banks will not refinance. A lender won't take the risk. If you had the cash you could pay off their current loan, any liens and forbearances and maybe even negotiate a short sale because you have the cash to get the lender to discount the note and move the seller on their way.

What if you found a great deal in a decent neighborhood owned free and clear and the seller needs out now? Well, you could structure a purchase agreement and assign it to another investor making yourself a few thousand dollars or you could raise private money and purchase it at a discount. So instead of the person you were going to assign it to making all the money, now you and your investors make all of the money.

What can you use private money for?

You can use private money to purchase any type of property that you want in your business.

- Single family property
- Multi-family properties
- Apartments
- Commercial property
- New construction
- Tax liens and deeds
- Land acquisitions
- Notes

Whatever property or investment strategy you are utilizing can benefit from private money.

Think about your career and as an investor how do you get paid? You get paid by cash flow.

Cash flow = Power; Power = Freedom; Cash flow will set you free!

This is the biggest reason to utilize private money. It allows you the opportunity to utilize OPM to get into properties that provide cash flow.



Exercise 1: Private Money Sources

In this exercise, utilize the space below to list at least 10 people that you already know (have a relationship with) that you are going to discuss private money opportunities with. This is just a list. Do not have any conversations with these individuals until you are instructed to later in the manual.

Chapter 3: Types of Private Money Partners

In this chapter we are going to discuss the two different types of private money partners, debt partners and equity partners. Each partner provides a different opportunity to your real estate investing business and you need to know how to manage the deals to make it a win-win situation. You need to become familiar with both so that you are able to discern when to utilize one over the other. In the preceding chapters we will discuss how to locate these partners, how to present your opportunity to them and what paperwork you need to complete your real estate transactions.

Before we get started on the different types of private money partners it is very important to understand that throughout the rest of this manual we will be guiding you on how to talk to individuals to raise private funds for your real estate investment business. You must follow the Securities and Exchange Commission (SEC) guidelines for raising private capital. All of these rules and regulations are explained to you in chapter 4 but as we go through the manual we will demonstrate how each rule impacts your business.

Debt Partners

A debt partner is an investor who is willing to invest his or her money for a percentage of return on their money. They are not taking out equity. They are taking out debt. This is very similar to going to a financial institution and taking out a mortgage. With a debt partner they are going to receive a promissory note that contains the repayment terms and the return on their investment.

You are able to utilize debt partners for transactions in commercial property as well as residential. In commercial property your private money partners should pay all of the closing costs, the down payment and capital improvements. The down payment is the difference between the bank loan and the purchase price. For example:

Purchase Price	\$1,500,000
Mortgage	\$1,200,000
Down Payment (20%)	\$300,000
Closing Costs (5-6%)	\$90,000
Acquisition Fee (1-5%)	\$30,000
Total Investment of Private Money Partner(s)	\$420,000
Sell the Property	\$1,850,000
Repay Private Money Partner @ 10%	\$462,000
Your Profit (assumes no mortgage)	\$188,000

payments)	
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If you are going to secure private money for a second mortgage on the property, you need to ensure that your bank will allow a subordinated loan. If your bank does not allow for this, do not create one.

In a residential transaction you want to find debt partners who can fund the entire deal, without bank financing. When you are utilizing ALL CASH to purchase a property, you need to leverage this against the asking price. If you do not negotiate a discount you will not put as much money in our pocket after you pay back your private money partner.

Purchase Price	\$150,000
Closing Costs (5-6%)	\$9,000
Total Investment of Private Money Partner	\$159,000
Amount Due Private Money Partner upon Refinancing or Sale	\$174,000

Utilizing debt partners for residential properties is the cheapest way to fund your deal. You are not giving up any of the equity and you are paying the partner at the time of resale or refinance.

The importance of having the debt partner's loan paid back at the time of refinance or resale is so that you eliminate the monthly payments. Not having monthly payments allows you to run your property easier. If you have a lot of single family properties that you are rehabbing and you plan to flip, there is no cash flow for you to be making monthly payments.

Having a private money partner fund your deals does not negate your business objectives of buying property at the best possible price. While your debt partner knows they are going to get 10% return on the money they invested, you need to package the real estate transaction so that you get 10% or more after the resale as well.

Equity Partners

An equity partner is similar to a debt partner but rather than looking for a specific interest rate as a return on their investment, they are interested in a share of the cash flow and the appreciation. Since equity partners are interested in the cash flow they are looking for a minimum of 6-9% cash on cash return going into any deal. Equity partners will also be paid monthly or quarterly based on their percentage and cash flow of the property.

The goal of every deal would be to get a 50/50 split between yourself and the investors. If the numbers are not quite there then slide the investor number up (55/45, 60/40, 65/35, etc.) but never have your percentage lower than 25%. There is too much work that goes into syndicating the deals, raising the private money and managing the deals after they are closed to take less than 25%.

Equity partners are also looking for deals that provide a 20% or more annualized return on their investment. This is not a monthly or yearly return but rather the returns on the whole deal. For example; if you have a three year deal that provides cash on cash returns of 8% the first year, 9% the second year, 10% the third year for a total of 27% combined return. In year three you sale the property and make a 37% return on the resale. For the three year period this is a 64% total return. To get the annualized return, divide the 64% by three years and you get a 21% cash on cash return. This is what your equity investors are looking for when they invest.

Here is another way to look at it:

Summary of Projected Owner Cash Flow and Returns						
Initial Equity	\$3,150,000	Year 1	Year 2	Year 3	Return \$	Return %
Owner net Cash Flow		\$286,873	\$284,150	\$289,553	\$860,576	
Cash on Cash Return		9.10%	9.02%	9.19%		27.31%
Owner Equity					\$1,051,500	33.40%
Total Return on Investment					\$1,912,076	60.71%
Annualized Return						20.23%

In order to ensure annualized returns you need to go through a process called the **carve out**. The carve out is the amount of ownership that you can carve out of a deal for yourself. Since the investors are putting up all of the money for the deal and their expectation is to have a percentage of the cash flow and appreciation, you need to ensure that you calculate the numbers for every deal very carefully.

One way to calculate your carve out is by utilizing “the trinity”. The trinity is three different numbers or ratios, that when they fall into line, allow you to carve out 25% or more of the deal for yourself. You get the acquisition fee and 25+% of the cash flow and appreciation.

Before we go into the trinity, let us take a moment to explain the acquisition fee and how it is involved in your private money transactions. The acquisition fee is an industry standard fee of 1-5% of the purchase price that you can receive for sponsoring the deal. You are considered the sponsor because you found the deal, brought together the investors, and are managing the deal. At the closing table you will receive a check for the acquisition fee. Private money investors have an expectation to pay this fee. In theory, you could get into a deal with absolutely no money out of your pocket and be paid at the closing table.

Partner Summary

We covered a lot of terms and ideas in the last few pages. Let’s take just a moment to summarize these so that you have a full understanding as we move forward.

Debt Partner: No equity participation. Functions very much like a bank and expects a percentage return on their investment. Paid at the time of resale or refinancing.

Equity Partner: Participates in a portion of equity. Participates in cash flow. Participates in all proceeds from the resale.

Cash on Cash Return: A percentage that reflects how quickly you will recoup your out of pocket expenses.

Acquisition Fee: Is an industry standard fee of 1-5% of the purchase price that you can receive for putting together the real estate investment deal.

Carve Out: The percentage of ownership that you will retain in the deal. This should be no lower than 25%,

The Trinity

As we mentioned earlier, the trinity are the three different numbers, or calculations, or ratios that you will look at to determine if you can carve out at least 25% cash flow to syndicate a deal with your investors. The three calculations are based on **capitalization rate**, **cash on cash return**, and **debt coverage ratio**. We will look at each of these individually to demonstrate how they are used to create your carve out.

Before we analyze each area of the trinity we need to define some of the terms that will be used in their calculations.

1. Net Operating Income (NOI) – This is the income on a property after expenses, but excluding your mortgage. You can increase your NOI by decreasing expenses or increasing income. **NOI = Yearly Income – Yearly Expenses**
2. Operating Expenses – are expenses that occur on a recurring basis, such as taxes, insurance, repairs and maintenance.
3. Capital Expenses – are those expenses that you will depreciate; such as a new roof, carpet and appliances.
4. Acquisition costs – is your down payment (20 – 30%), your closing costs (3%) and your acquisition fee (1-5%).

The capitalization rate is the return that you expect to get on your investment. It is calculated by taking your Net Operating Income (NOI) divided by the Sales Price or the value of the property. The cap rate that you are looking for needs to be above 7.75%

$$\text{Cap Rate} = \text{NOI} / \text{Sales Price}$$

Purchase Price	\$6,200,000
Net Operating Income	\$675,000
Cap Rate	10.8%

Neighborhoods are also a good indicator of cap rates. Keep in mind that you should still run your numbers and not rely on location to make your investment decisions.

- “A” neighborhoods consist of buildings that were built in the last 10 years and might have a cap rate of 6-7%.
- “B” neighborhoods were built about 25 years ago and might have a cap rate of about 8-9%.
- “C” neighborhoods would consist of buildings built about forty years ago but are still in good condition. The properties, if maintained, can still build appreciation. These properties might have a cap rate of 10-11%.
- “D” neighborhoods are properties that might have a cap rate of 12%+ and are typically in neighborhoods referred to as “war zones”. These are the properties that you and your private partners will want to stay away from.

The cash on cash return evaluates how quickly you will recover the out of pocket expenses that you have invested in the property.

$$\text{Cash on Cash Return} = \text{NOI} - \text{Debt Service} / \text{Acquisition cost}$$

Net Operating Income	\$460,000
Debt Service	\$350,000
Acquisition Cost	\$875,000
Cash on Cash Return	12.6%

This cash on cash return needs to be at 12% or higher in order for you to syndicate.

The debt coverage ratio allows you to see how many times the cash flow will cover the mortgage. This calculation is very important to understanding if the property can produce enough income to cover the debt. Remember that anything above the mortgage is profit. Typically a lender would want to see a debt coverage ratio of about 1.2 to 1.3. This calculation allows you to see if the property is healthy.

$$\text{Debt Coverage Ratio} = \text{NOI} / \text{Debt Service}$$

Net Operating Income	\$600,000
Debt Service	\$350,000
Debt Coverage Ratio	1.71

This debt coverage ratio needs to be at 1.6 or higher for you to syndicate the deal.

When you have completed all of your calculations, your trinity should look something like this:

Cap Rate 8+

Cash/Cash Return 12+

Debt Coverage Ratio 1.6+

With these numbers in alignment you will be able to create deals with a carve out of 25 percent. This means you will get 25% of the cash flow and the equity. Also, you will have received your acquisition fee of 1-5% of the purchase price at closing.

Types of Private Money Deals

To be successful in real estate investing you have to be able to secure good deals for you private money partners. The two different types of deals that you need to become familiar with are momentum plays and repositioning plays. As you will notice, each deal provides a different payment structure to your investors.

In a **momentum play**, the properties already have cash flow at the time of closing. There is nothing you need to do to get the properties ready for tenants. After the closing, you hand it over to your management company and you and your partners reap the benefits of cash flow, month after month. In this type of deal your carve out should be a minimum of 25%.

In a **repositioning play** you are upgrading the property and you are upgrading the tenet base. This is a very risky investment strategy as there will be little to no cash flow during the first year and the cash on cash return will always be zero. The reason the cash on cash return remains at zero is because you want to put any additional income into construction costs. As construction costs can vary, you will need to reserve the monthly income for these expenses. When the deal is done then you can pay the cash flow to the investors.

In this type of deal, you want to look for a 25% annualized return because of the risk involved. Also, you should have no more than 30% of our portfolio in repositioning plays because of the risk involved. Due to this risk, and the management involved, you will want to have a minimum carve out of 50%. Keep in mind that the two reasons most repositioning plays fail is because the money runs out or the wrong management company is hired.

Chapter 4: Legal Considerations

Now that you understand who private money partners are and what types of deals they are interested in, you need to put together various presentation packages to present to them. You could have the best deal in the world but if investors do not understand who you are, what you do and why they should invest with you, it will never get funded. Over the course of this chapter we will discuss the various types of presentations you need to put together and how they will benefit your investing career.

Before we look at the different presentation approaches we need to take a moment to discuss the Securities and Exchange Commission (SEC) and what its impact will be on your business and presentations. Why should you be concerned with the SEC? As a general rule, if you are raising money (private investment) and providing a return on that investment, you are offering a security and this is governed by the SEC.

Securities and Exchange Commission

In the economic boom that took place after World War I many individuals were drawn to the opportunity to “get rich quick”. Approximately 20 million shareholders invested nearly \$50 billion in new securities and businesses from 1920 to 1929. Many of these investors were buying these securities on credit and through loosely monitored credit margins. While the government was aware of these activities there was no incentive to require financial disclosure or prevent the sale of fraudulent stocks until October 29, 1929.

When the stock market crashed in October 1929, half of the \$50 billion in new securities became worthless and people lost all confidence in the markets and financial institutions. At the height of the Great Depression, Congress looked for avenues to reassure people that the banks and financial institutions were sound. In order for America to recover, it needed to the financial momentum that occurred after World War I.

To restore confidence in investors, Congress passed the Securities Act of 1933. This law, together with the Securities Exchange Act of 1934, which created the SEC, was designed to restore investor confidence in financial institutions by providing investors and the markets with more reliable information and clear rules of honest dealing. These laws still govern us today and your private money offerings. Basically, these laws can be reduced to two common-sense notions:

1. Companies publicly offering securities for investment dollars must tell the public the truth about their businesses, the securities they are selling, and the risks involved in investing.

2. People who sell and trade securities – brokers, dealers, and exchanges – must treat investors fairly and honestly, putting investors' interests first.

The Securities Act of 1933 and the Securities Exchange Act of 1934 are what govern the offering of securities in businesses today. You might be saying to yourself, “I am not offering a security; I am only going to borrow money.” This is where the definition of a security is important.

According to the Securities Act of 1933, the definition in Section 2(a)(1) is the term “investment contract”. If something is an “investment contract” it is a “security”. This is a very broad definition and encompasses any instrument that might be sold as an investment.

The Supreme Court has also offered a ruling in what an investment contract or security entails in 1946; SEC vs W.J. Howey, Co. What has become known as the “Howey” test is simply another way of analyzing if a financial instrument is a security. The Howey test implies that an “investment contract” is any contract, transaction or scheme whereby a person invests money in a common enterprise and is led to expect profits from the efforts of others. This simple test is one of the most profound and important definitions in all of securities regulation.

Securities Offerings

As we have discussed, securities offered or sold must be registered by filing a registration statement with the SEC. The SEC dictates which forms an issuer's securities must be registered. Among other things, registration forms call for:

- a description of the securities to be offered for sale;
- information about the management of the issuer;
- information about the securities (if other than common stock); and
- financial statements certified by independent accountants.

Registration statements and the incorporated documents become public shortly after they are filed with the SEC. This is what is referred to as a **public offering**. Almost any public company you can think of (Yahoo, Microsoft, etc.) has registered with the SEC and filed a public offering. Here are a few things to consider about a public offering:

- expensive
- external financial audits
- advertising allowed
- more disclosure
- starting costs \$250,000+

Not all offerings of securities must be registered with the SEC. Some exemptions from the registration requirements include:

- **private offerings** to a specific type or limited number of persons or institutions;
- offerings of limited size;
- intrastate offerings; and
- securities of municipal, state, and federal governments.

Here are a few things to consider about a public offering:

- less expensive
- must have pre-existing relationships
- follow SEC guidelines

Regardless of whether securities must be registered, the Securities Act of 1933 makes it illegal to commit fraud in conjunction with the offer or sale of securities. A defrauded investor can sue for recovery under the Act.

SEC Exemption Rules

Your offering may qualify for one of several exemptions from the SEC registration requirements. The most common exemptions are the **Intrastate Offering Exemption, Private Offering Exemption, Regulation D Rule 504, 505 and 506**. I cannot stress enough that even though you may qualify for an exemption you are still subject to the antifraud provisions of the SEC. This means that you and your company will be responsible for false or misleading statements, whether oral or written. Also, offerings that are exempt from the SEC may still be subject to the notice and filing obligations of your state. It is very important that you find a good SEC lawyer to add to your real estate team to ensure that everything you do is following the correct guidelines.

Intrastate Offering Exemption

Section 3(a)(11) of the Securities Act is generally known as the "intrastate offering exemption." To qualify for the intrastate offering exemption, your company must:

- be incorporated in the state where it is offering the securities;
- carry out a significant amount of its business in that state; and
- make offers and sales only to residents of that state.

There is no fixed limit on the size of the offering or the number of purchasers. Your company must determine the residence of each purchaser. If any of the securities are offered or sold to even one out-of-state person, the exemption may be lost. Without the exemption, the company could be in violation of the SEC registration requirements.

Private Offering Exemption

Section 4(2) of the Securities Act exempts from registration "transactions by an issuer not involving any public offering." To qualify for this exemption, the purchasers of the securities must:

- have enough knowledge and experience in finance and business matters to evaluate the risks and merits of the investment (the "sophisticated investor"), or be able to bear the investment's economic risk;
- have access to the type of information normally provided in a prospectus; and
- agree not to resell or distribute the securities to the public.

In addition, you may not use any form of public solicitation or general advertising in connection with the offering.

Regulation A

Section 3(b) of the Securities Act authorizes the SEC to exempt from registration small securities offerings. The SEC, with this authority created Regulation A, an exemption for public offerings not exceeding \$5 million in any 12-month period. If you choose to rely on this exemption, your company must file an offering statement, consisting of a notification, offering circular, and exhibits, with the SEC for review.

The principal advantages of Regulation A offerings, as opposed to full registration, are:

- The financial statements are simpler and don't need to be audited;
- There are no Exchange Act reporting obligations after the offering unless the company has more than \$10 million in total assets and more than 500 shareholders;
- Companies may choose among three formats to prepare the offering circular, one of which is a simplified question-and-answer document; and
- You may "test the waters" to determine if there is adequate interest in your securities before going through the expense of filing with the SEC.

All types of companies which do not report under the Exchange Act may use Regulation A, except "blank check" companies, those with an unspecified business, and investment companies registered or required to be registered under the Investment Company Act of 1940. In most cases, shareholders may use Regulation A to resell up to \$1.5 million of securities.

If you "test the waters," you can use general solicitation and advertising prior to filing an offering statement with the SEC, giving you the advantage of determining whether there is enough market interest in your securities before you incur the full range of legal, accounting, and other costs associated with filing an offering statement. You may not, however, solicit or accept money until the SEC staff completes its review of the filed offering statement and you deliver prescribed offering materials to investors.

Regulation D

Rule 504

Rule 504 provides an exemption for the offer and sale of up to \$1,000,000 of securities in a 12-month period. Your company may use this exemption so long as it is not a blank check company and is not subject to Exchange Act reporting requirements. Like the other Regulation D exemptions, in general you may not use public solicitation or advertising to market the securities and purchasers receive "restricted" securities, meaning that they may not sell the securities without registration or an applicable exemption. However, you can use this exemption for a public offering of your securities and investors will receive freely tradable securities under the following circumstances:

- You register the offering exclusively in one or more states that require a publicly filed registration statement and delivery of a substantive disclosure document to investors;
- You register and sell in a state that requires registration and disclosure delivery and also sell in a state without those requirements, so long as you deliver the disclosure documents mandated by the state in which you registered to all purchasers; or,
- You sell exclusively according to state law exemptions that permit general solicitation and advertising, so long as you sell only to "accredited investors," a term we describe in more detail below in connection with Rule 505 and Rule 506 offerings.

Even if you make a private sale where there are no specific disclosure delivery requirements, you should take care to provide sufficient information to investors to avoid violating the antifraud provisions of the securities laws. This means that any information you provide to investors must be free from false or misleading statements. Similarly, you should not exclude any information if the omission makes what you do provide investors false or misleading.

Rule 505

Rule 505 provides an exemption for offers and sales of securities totaling up to \$5 million in any 12-month period. Under this exemption, you may sell to an unlimited number of "accredited investors" and up to 35 other persons who do not need to satisfy the sophistication or wealth standards associated with other exemptions. Purchasers must buy for investment only, and not for resale. The issued securities are "restricted." Consequently, you must inform investors that they may not sell for at least a year without registering the transaction. You may not use general solicitation or advertising to sell the securities.

An "accredited investor" is:

- a bank, insurance company, registered investment company, business development company, or small business investment company;
- an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of \$5 million;
- a charitable organization, corporation or partnership with assets exceeding \$5 million;
- a director, executive officer, or general partner of the company selling the securities;
- a business in which all the equity owners are accredited investors;
- a natural person with a net worth of at least \$1 million;
- a natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year; or
- a trust with assets of at least \$5 million, not formed to acquire the securities offered, and whose purchases are directed by a sophisticated person.

It is up to you to decide what information you give to accredited investors, so long as it does not violate the antifraud prohibitions. But you must give non-accredited investors disclosure documents that generally are the same as those used in registered offerings. If you provide information to accredited investors, you must make this information available to the non-accredited investors as well. You must also be available to answer questions by prospective purchasers.

Here are some specifics about the financial statement requirements applicable to this type of offering:

- Financial statements need to be certified by an independent public accountant;
- If a company other than a limited partnership cannot obtain audited financial statements without unreasonable effort or expense, only the company's balance sheet, to be dated within 120 days of the start of the offering, must be audited; and

- Limited partnerships unable to obtain required financial statements without unreasonable effort or expense may furnish audited financial statements prepared under the federal income tax laws.

Rule 506

Rule 506 is a "safe harbor" for the private offering exemption. If your company satisfies the following standards, you can be assured that you are within the Section 4(2) exemption:

- You can raise an unlimited amount of capital;
- You cannot use general solicitation or advertising to market the securities;
- You can sell securities to an unlimited number of accredited investors and up to 35 other purchasers. Unlike Rule 505, all non-accredited investors, either alone or with a purchaser representative, must be sophisticated - that is, they must have sufficient knowledge and experience in financial and business matters to make them capable of evaluating the merits and risks of the prospective investment;
- It is up to you to decide what information you give to accredited investors, so long as it does not violate the antifraud prohibitions. But you must give non-accredited investors disclosure documents that generally are the same as those used in registered offerings. If you provide information to accredited investors, you must make this information available to the non-accredited investors as well;
- You must be available to answer questions by prospective purchasers;
- Financial statement requirements are the same as for Rule 505; and
- Purchasers receive "restricted" securities. Consequently, purchasers may not freely trade the securities in the secondary market after the offering.

Accredited Investor Exemption

Section 4(6) of the Securities Act exempts from registration offers and sales of securities to accredited investors when the total offering price is less than \$5 million.

The definition of accredited investors is the same as that used in Regulation D. Like the exemptions in Rule 505 and 506, this exemption does not permit any form of advertising or public solicitation. There are no document delivery requirements. Of course, all transactions are subject to the antifraud provisions of the securities laws.

Accredited Investor Form

Name _____
Address _____
City _____ State _____ Zip _____
Phone: Day _____ Eve _____
I hereby certify that I am an accredited investor in accordance with S.E.C Rule 501(a) of Regulation D, in that... (check one)
<input type="checkbox"/> I am an individual with a net income exceeding \$200,000
<input type="checkbox"/> I/We have a net income exceeding \$300,000
<input type="checkbox"/> I/We have total assets in excess of \$1,000,000
I would be interested in investing (check one)
<input type="checkbox"/> \$50,000-\$100,000
<input type="checkbox"/> \$100,000-\$500,000
<input type="checkbox"/> \$500,000-\$1,000,000
<input type="checkbox"/> \$1,000,000+
<ul style="list-style-type: none">• This is an example. For educational purposes only

Private Placement Memorandum

Prior to offering securities to any investors, especially those who are not accredited, a Private Placement Memorandum (PPM) may be required. A well developed PPM can help to avoid securities fraud. The PPM becomes a written record of what was communicated to investors about your offering.

It will be necessary for you to contact a lawyer in order to draw up the legal aspects of your PPM. If you only included accredited investors in your offerings, the PPM is relatively straight forward. Once you decide to include non-accredited investors, then it is likely that you will have to be more detailed in your disclosures. A PPM, for accredited investors, should contain at least enough information for the investor to make an informed decision on your investment.

The following items are examples of what might be included in a PPM. Each PPM and the contents vary depending on the offering and the company.

1. Summary of offering
2. Suitability standards for investors of the group
3. Summary of the use of proceeds
4. Compensation of fees to the sponsor and affiliates
5. Conflicts of interest
6. Fiduciary responsibilities of the sponsor
7. Risk factors
8. Description of real estate purchased
9. Federal income taxes
10. Summary of group management document
11. Report to group members
12. Distribution plan
13. Legal agreement
14. Subscription agreement and offeree questionnaire

Syndication

Understanding the ins and outs of the SEC rules is very important before you make the first step in syndicating your deal. Syndication is basically the joining of individuals who are engaged in an enterprise of common interest; in this case, real estate. In creating a syndicate there is typically one party that is active in the management and day to day operations (this is you) and one part that is passive (this is your private money partner). Syndication typically follows a three-phase cycle: origination (planning, acquiring property, satisfying registration and disclosure rules, and marketing); operation (sponsor usually manages both the syndicate and the real property); and liquidation or completion (resale of the property).

Prior to beginning the first phase of syndication, **origination**, it is necessary for you to create the company that will purchase and own the property. In many cases this company will be a Limited Liability Company (LLC) but utilize your lawyer to create the right companies for your objectives. The LLC will limit your liability and creates a stronger operating agreement. You will also want to create an LLC that will be the managing member of the LLC you just created. The LLC that owns the property will be the same entity that opens bank accounts, writes real estate offers, and sells the investors their shares in the property.

Origination

During the origination phase is when you will choose the property that will provide your investors with the return they are interested in achieving. The purchase price of the property will determine how many units you will offer and at what price point. You should secure the property through a letter of intent. Once this is complete then a private placement memorandum (see Chapter 8 for an example) can be completed.

Operation

The operation phase of the syndication is when you will manage the day to day operations of the real estate property and the company. Communication to your investors during the operation phase is critical if you want your investors to have confidence in you and their investment. Always ensure you are communicating with your investors before they are communicating with you.

- *Monthly*
 - Executive summary of what occurred at the property during the month. At a minimum you should include revenue, expenses, and cash flow.
- *Quarterly*
 - Summary of activities and perhaps a conference call.
- *Annual*

- The annual communication should include tax information and a budget for the following year. Schedule K-I, *Partner's Share of Income, Deductions, Credits, etc.*, should also be distributed.

Liquidation

The liquidation phase is the final stage of the syndication deal and it occurs when you refinance or sale the property. You should ensure that liabilities, investors and the sponsor (you) are paid at this time. You will also provide the final tax information on the property. You may also dissolve the LLC that was created to purchase the property and manage the investment account.

SAMPLE LETTER OF INTENT

1. **Parties:** _____ as Buyer
and _____ as Seller
2. **Property Address:** _____
City of _____ State of _____
3. **MLS Number:** _____
4. **Purchase Price:** \$ _____
5. **Period:** Closing on or before 30 days.
6. **Provisions:** Property purchased in “As Is” condition. Buyer and Seller agree to pay normal closing costs. Earnest money to be deposited upon acceptance of Purchase Agreement. Acceptance to be provided within 48 hours.

Upon acceptance of the above, both parties agree to move forward with a standard purchase and sales agreement generally accepted by the Board of Realtors.

Buyer: _____ Date: _____

Seller Acceptance: _____ Date: _____

Seller Acceptance: _____ Date: _____

Seller Declines: _____ Date: _____

Seller Declines: _____ Date: _____

Chapter 5: Private Money Presentations

In chapter 2 you had an exercise to list people you had a relationship with that you were going to discuss private money opportunities with. In this chapter we are going to cover the various types of presentations that you will want to prepare as you begin to have conversations with private money partners, that you either have a relationship with or not.

As with any presentation you only have one opportunity to make a first impression. What a potential investor sees may make their decision more so than what they hear. You should always be dressed for success and a good rule of thumb is to always dress one step above the group you are addressing. You should take time to practice your presentations.

You should approach all of your presentations from the compliance of the Securities and Exchange Commission. You must have a pre-existing relationship with everyone you go into a deal with, so no general solicitations. Your presentations should not mention an investment return or the property address. Remember that you want accredited investors on all of your deals, so all of your presentations should include a “call to action” to complete your accredited investor card or form. An accredited investor, as we just discussed, must meet one of the following guidelines:

- \$200,000 in income as a single filer or
- \$300,000 in income as a couple filing jointly or
- \$1,000,000 or more net worth – can include all assets

This information is self-reported by the investor and you are not required to verify it. However, if you know that they are not accredited you should not allow them to participate in your deal. If the investor meets the qualifications as an accredited investor then the SEC considers them to be experienced investors that understand the risks of investing.

Elevator Pitch

Perhaps one of the most fundamental approaches in business and marketing is the approach known as the elevator pitch. In essence, it is a very short, 30 – 60 second presentation that explains who you are, what you do, and why you are qualified to do what you do. When you present your elevator pitch, remember to slow down and talk clearly.

Example

Hi. My name is _____. The name of my company is _____.

We buy commercial real estate in emerging markets. They produce good cash flow with a strong back end. I am always looking for partners (PAUSE) and I am willing to give you an equity position. If you would like more detail, I would be happy to talk with you.

Here are some other comments that you may wish to include in your personal elevator pitch.

- “We take a conservative approach...”
- “If you are interested in investing, I give my investors the majority of the cash flow and the majority of the equity. I want you to have a lot of incentive to participate in my deals.”
- “We only buy in areas where there is a predictable path of progress.”
- “The local Chamber, Economic Development Group and US Census Bureau have provided us extensive information that we have used to identify where we need to acquire our investments.”
- “We buy B and C properties in B and C areas that have both a value play and a momentum play. That way there is plenty of opportunity to increase the value of our investment.”
- We typically want to be in and out of a market place within 3 to 5 years depending on where we come in on the cycle.”



Exercise 2: Elevator Pitch

In this exercise, utilize the space below to write your own elevator pitch. Remember you only have one chance to make a first impression. Once you have written your presentation, take time to practice it. Try your presentation on the 10 people that you listed in exercise one.

Credibility Kit

Developing a credibility kit is perhaps one of the most important documents you will create as a real estate investor looking for private money. It is your opportunity to demonstrate to potential private money partners who you are and why they should invest their hard earned money with you. It should be presented in the same professional style that you have set for your company. Above all, it is your opportunity to brag about all the great real estate transactions that you have done.

There is not one perfect way to create a credibility kit. Your kit will be as unique as the real estate business you are running. The information provided here is just a guide to help you in developing your own kit. As you are developing your credibility kit, always keep in mind that you are trying to display who you are and why someone would want to invest in you.

Introductory Page: On this page you should include a brief explanation of who you are and your pertinent contact information. You should also list the name of your real estate business and any officers. Feel free to personalize this section by including a picture of yourself or your family. It is a great opportunity to connect on a personal level with potential partners.

Resume: Your resume page can be more than just the traditional resume of education, employment, real estate business. It should also include information that ties you to the community. How long have you lived in the area? Are you involved in church or civic organizations? This is also a great opportunity to add additional information about your real estate team's experience. Potential partners want to know who your lawyer, banker, real estate agent, escrow company and title company are and it is possible they may have a relationship with one or two of them already.

Values and Goals: Develop a values or goals statement to let investors know what you feel is important in your business.

Investment Strategies: Provide a statement or description of what you are currently investing in. Do you prefer single family residences, multi-family properties or commercial?

Education Certificate: Include any training that you have been to that has assisted you in developing an expertise in real estate investing. Do you hold any additional licenses such as a general contractor or a building inspector?

References and Testimonials: Include letters or excerpts from past sellers or buyers of your properties. Make sure you include the city and state for your references, this reflects where you have completed real estate transactions. Consider getting letters of reference from your attorney, accountant, and banker; if you have completed private money transactions before then include a letter from a former investor.

Real Estate Transactions: This might be the most important aspect of your credibility kit. In this section you want to include as many real estate transactions that depict the type of investor that you are. Be sure to include photographs of your properties and not just the outside of the buildings. Include pictures of the neighborhoods and the inside of the property. Each picture should have a caption that reflects the address, city and state of the property.

If you are a seasoned investor you will want to include all of the items just discussed as well as a few others. As an investor with more experience you will want to highlight some of your transactions, specifically the return on investment that you earned.

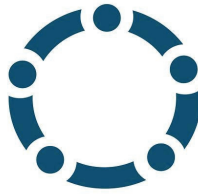
Real Estate Transactions: As a seasoned investor you will want to expand this section to reflect more of the financial transactions that occurred with each property. Be specific in how the transactions took place. In other words was it a wholesale deal, short sale, foreclosure, pre-foreclosure, or multiple transactions. Include information such as the purchase price, the realized equity, cash flow, and profit from the property.

Markets: In the markets section you should spend some time to discuss the market areas that you typically look for real estate properties. Include such items as maps of neighborhoods, pictures of neighborhoods, and before and after pictures of your homes. As in the other sections, always include captions with your pictures.

The credibility kit is a great resource to have with you at all times. For instance, you just met someone on the subway and presented them with your elevator pitch. They were interested enough to ask for an accredited investor form which you provided to them and they returned to you. After verifying their information you agree to meet for coffee in two hours. Since this will now be your second meeting, you can provide this investor with your credibility kit. Because you have the kit with you, the meeting can take place today rather than tomorrow or next week.

Your credibility kit is as essential to your real estate career as having a lawyer, attorney, or title company. You should have multiple copies of the kit and make them available at local Real Estate Investment Association (REIA) meetings or other social gatherings. This is a very important marketing component of your business. Take the time to create a professional image because it could be the difference between closing a deal or missing a deal.

The next four pages contain an example of a credibility kit. It reflects the cover page, an introduction to you and your business, a description of a property and a market analysis. These, along with the sections mentioned earlier, are what you need to create a professional document that you will want to share with potential investors.



The Stafford Group



123-456-7890
Jim@staffordgroup.com

The Stafford Group

Overview

The Stafford Group is a Nevada Limited Liability Company with offices in Orlando, Florida. The group has over 10 years of experience in single-family, multi-family, apartment and commercial ownership. Formed in 2007, the company's primary objective is to purchase apartment complexes and commercial properties in "B" and "C" markets, add value to those properties, then sell or refinance and use the proceeds to buy



more and/or larger properties. As of December 2008, The Stafford Group has three apartment complexes and one commercial property in its portfolio. All of these properties are located in B and C markets in Florida and Georgia. Based on appraisals, conducted by the lenders as part of the mortgage process, the current value of the portfolio is \$14,000,000 and owner equity is \$6,108,000.

Property	Location	Type	Units	Purchase Price	Appraised Value	Down Payment	Total Equity
Orange Blossom	Orlando	B	70	2,785,000	3,256,000	557,000	1,028,000
Wild Rose	Buckingham	B	100	2,345,000	4,550,000	469,000	2,674,000
Tamiami	Naples	B	7	3,235,000	4,344,000	647,000	1,756,000
Gwinnett	Savannah	C	30	1,500,000	1,850,000	300,000	650,000
Totals			211	9,865,000	14,000,000	1,973,000	6,108,000

The Team

The key to the success of The Stafford Group is the pre and post sale expertise of Jim Stafford and his ability to put together a strong team of experts for each investment. Mr. Stafford has engaged the following individuals or companies in his real



estate investment business:

- Mr. John Little, Attorney
- First American, Title and Insurance
- Bridge Real Estate Group, Property Management
- Ms. Lisa Trego, Mortgage Broker

Orange Blossom Apartments Orlando, Florida

Orange Blossom Apartments is a Class C property located in a residential neighborhood in Orlando, Florida. The property is three miles from Sea World and the Orlando Convention Center. The one, two and three bedroom units are very spacious with lanais, separate



utilities, and a community pool. The complex was originally built in 1985 and in 2000 over \$700,000 in capital improvements were made, including new roof, stucco and landscaping.

The Stafford group purchased this property in August of 2005. The purchase price was \$2,785,000 and the complex has a current estimated value of \$3,256,000. Due to the location of the



property and the proximity to Orlando's amusement parks, five of the three-bedroom units were recently taken out of the annual rental inventory and converted to short-term vacation rentals. This produces weekly income, from October to March, of \$1,600 per unit. The exit strategy on this property is to hold for an additional three to five years, then sell or refinance based on market conditions.

Property Description	
Units	70
No. of Buildings	7
Acres	5.35
Year Built	1985
Roof	Tile
Construction	Frame
Exterior	Stucco
Parking	150

Units			
Bedroom	Bath	Quantity	Sq. Ft.
1	1	42	700
2	1.5	14	1050
3	2	14	1250
Totals		70	61,600

Purchase Price - \$2,785,000

Current Value - \$3,256,000

Orlando, Florida Market Analysis

When people think of Orlando, Florida the first things that might come to mind are Mickey Mouse, Walt Disney, Sea World, Islands of Adventure, tourism and orange juice. Orlando is all these things and more. According to the City of Orlando website, Orlando is consistently ranked as a leading place to conduct business. Orlando and Florida, have no personal income tax and Orlando offers a low cost of doing business.

Orlando is the 4th largest metropolis in the Southeast United



States. The city has a population of 224,055 but Metro Orlando is over 2 million. The city also is host to 10 colleges and universities.

- Orlando was 1 of only 3 U.S. cities named by *Fast Company* magazine as a “Fast City” (2009).
- The city was voted one of America’s top 50 “Hottest Cities” by *Expansion Management* magazine (2007).
- Where do you want to be when you retire? According to *Private*



Money magazine, the number 3 place in the country is Orlando, Florida (2008).

- Over the next five years, Orlando is scheduled to pump \$1 billion into its downtown, an endeavor that’s going to need many hands to feed it. But the city is ready for the challenge (*Entrepreneur Magazine*, 2009).



Luncheon Presentation

The lunch presentation can be a very beneficial presentation for finding private money but it can also be the most disastrous if it is not well executed. In addition to discussing what you should present at your lunch presentation, we are also going to cover some of the basics for preparing for the event. The advertising for this event is discussed in the next chapter.

The visual presentation of the luncheon room and facilities is just as important as the audio presentation you will provide during the lunch. The old adage that “a picture is worth a thousand words” is very true when you want to have a lasting impression. We recommend that you have a few friends or current investors help you with the presentation if at all possible. This will provide you with some needed assistance but it will also provide your guests with someone to talk to, someone who is very positive about you.

Preparation

A luncheon presentation takes time to prepare for and you want to spend as much quality time preparing for the event as you do conducting the event. How well you present yourself, from advertising, to reservations, to your materials, says as much about you and your business as the presentation itself. Private money partners will be evaluating you and your business from the moment they see your name and your materials.

Presentation! Presentation! Presentation! You are always presenting who you are and what your business can do for individuals that have money to invest. We have already discussed the *Credibility Kit* but that is not the only information piece that you want to create for investors, especially for the luncheon presentation.

Luncheon Presentation Materials

- Lender Packets – a lender packet is a well created folder of information that contains pertinent information you want to share with a potential investor (place the items in the folder in this order, top down)
 - Welcome and Introductory Letter from you
 - Promissory Note
 - Accredited Investor Form
 - Your Business Card (attached to the inside)
- Credibility Kit
- IRA packets
- Slide Presentation (example to follow)

All of these materials should be placed neatly on the table where each guest will sit for lunch.

Luncheon Planning

- Select a date for your event. Plan your date far enough in advance to allow for adequate responses from your mailings and advertisements. (4-5 weeks)
- Select your event location. The location of your event should be within close proximity (25 minute drive) to the area where you canvassing your mailings and advertisements. Most people will not drive more than 30 minutes to an event.
- Contact a mailing list broker. A mailing list broker can help you select the individuals you want to target. Many lists can be sorted by income, job function, and home ownership status.
- Mail your postcard. The postcard should contain enough information to entice them to attend your luncheon and stay within the boundaries of the SEC
- Manage the responses to attend. Be sure to collect the name, phone number and email address of everyone that calls to confirm they are attending.
- Send reminders to each registrant
 - One week out – send an email
 - Three days out – send an email
 - Day before – Send an email
 - Same day – Send an email
- Make phone call reminders to registrants
 - Day before
 - Same Day

Example advertising: This would postcard size

<p>Did you know that there are real estate markets across the United States that are exploding with appreciation, right now?</p> <p>Even though the Orlando market is in the middle of a correction, there are investors just like you who have discovered how to invest and profit in today's economy</p> <p>Institutions always invest where they can get the highest return, would you like to know how they do it?</p>	<p>On Tuesday, December 18th, at 12:00 pm at the Errol Estate Resort and Country Club in Apopka please be our special guest to discover:</p> <p>*How to invest in these markets from the comfort of your own home!</p> <p>*How your investment is managed by good quality management companies!</p> <p>*How to invest using your IRA, 401K or retirement plan!</p>	<p>*How to benefit from a high rate of appreciation regardless of what your market is doing!</p> <p>Seating is extremely limited. To reserve your seat, call toll free 1-800-123-4567 x890, talk to no one, leave your name, phone number, email address and the number of people in your party and we will reserve your seat.</p>
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Luncheon Follow-up

- Phone calls to each attendee. A day after the event be sure to call each attendee to see if there are any additional questions they may have and to thank them again for attending your event.

Seminar Presentation Checklist		
Qty	Packaged	
		Luncheon Presentation Materials
		Lender Packets
		Welcome and Introductory Letter
		Promissory Note
		Accredited Investor Form
		Your Business Card
		Credibility Kit
		IRA Packets
		Slide Presentation CDs
		Pens
		Notebooks
Event Checklist		
Requested	Confirmed	
		Contact Event Location and Schedule Event (4 – 6 weeks prior)
		LCD projector
		Screen
		Lunch menu
		Seating Arrangements (see seating chart)
		Contact Mailing List Company
		Mail postcards (3-4 weeks prior)
		Manage reservations (check answering machine daily)
		Confirmations
		E-mails – 1 week prior
		E-mails – 3 days prior
		Emails – 1 day prior
		Phone calls – 1 day prior
		Emails – day of
		Phone calls – day of

Luncheon Presentation

During the 30-45 minute lunch presentation is your opportunity to explain your business and why the individuals that showed up would be interested in investing with you. Your presentation should discuss the types of real estate that you invest in and a call to action to complete the investor interest card. In keeping with the requirements of the SEC the luncheon presentation is considered the first meeting with potential investors and you may be asked very direct questions.

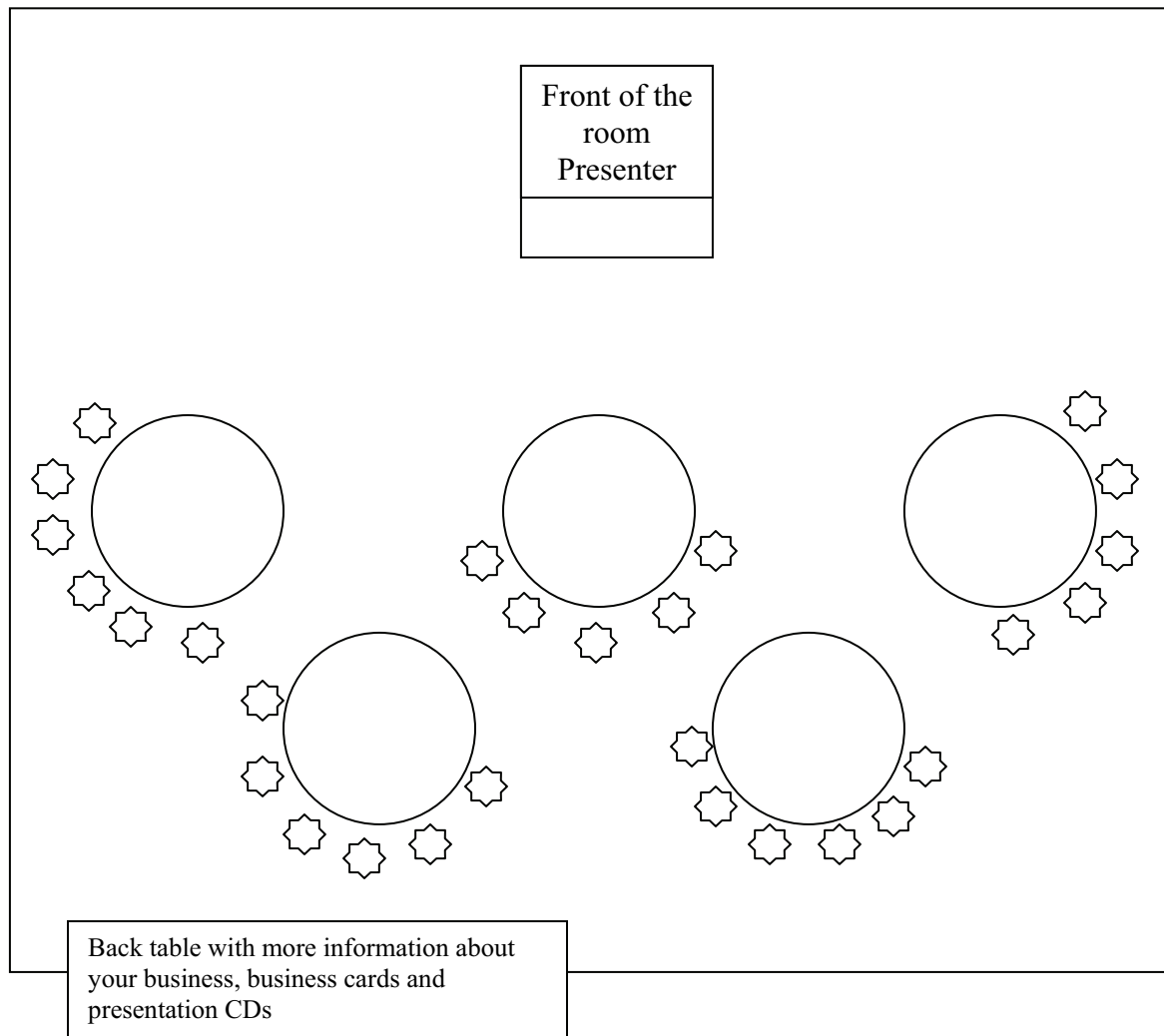
- How much do you need to participate in your investment?
- What kind of return are you paying?
- How much money can I make?

You should answer these questions clearly and with a call to action. For example: “Our company is Securities and Exchange Commission (SEC) compliant and we follow all of the rules set forth by the SEC. The first step would be for you to complete the accredited investor form included in your packet. Once I have this form then I will call you to set up a meeting to discuss in more detail our business and how all of this will work.”

Luncheon Presentation Order

- Tip the wait staff and smile. Tell the manager how helpful they have been in making this planning a success (before the luncheon!)
- Introduce the people in the room-Your previous investors, friends and the other people helping with the seminar
- Have a slide show revert to your contact information slide, with your logo and a “thanks so much for coming”
- Give 30-45 minute private lending presentation
- Eat lunch and ensure that each table has a happy investor or friend who represents you and can answer questions.
- Have your guests fill out the accredited investor form, and offer a free gift in exchange for the form.
- Try not to let them leave the room without giving you back the interest form.

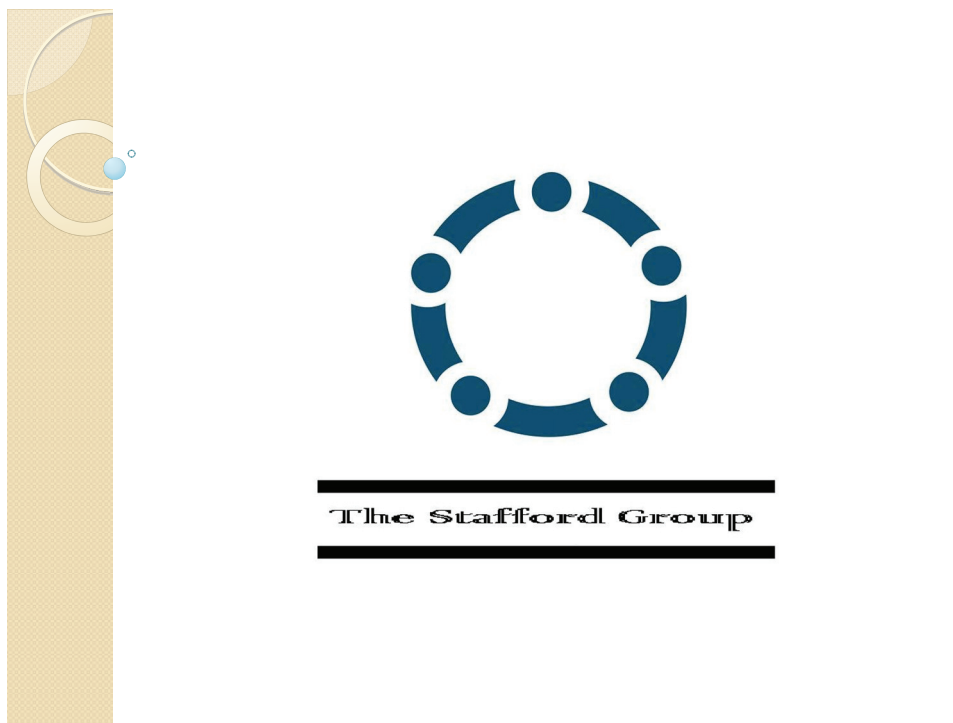
Figure 1: Luncheon room setup



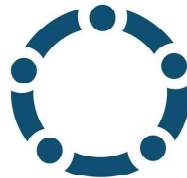
The investors tables should be arranged so that everyone has a good angle of the front of the room without having to shift their chair, or turn around to see you. You should be able to make good eye contact with everyone in the room at all times.

Luncheon Presentation Slides

The following presentation is an example of how you can put a presentation together. This slide show is for educational purposes only. Prior to presenting any presentation, you should consult a SEC attorney for review.



Jim Stafford
President
The Stafford Group, LLC.



The Stafford Group

Welcome

- My name is Jim Stafford and I am very excited that you are here today.
- I have a very brief agenda, so that we can get to know each other personally and you can see what we do.
- Please know that I will be around after lunch to answer any additional questions you may have about what you have heard.



Agenda

- Our investment opportunities
- Who we are and how we got here

Please hold your questions until the end of the presentation.

I have asked you here during your lunch time and I want to honor that time commitment.



Our Objective

To demonstrate how you can earn a **high rate** of return in a **secured** investment



Where Are You Currently Investing Your Money Today?

- Banks? Through CDs or Money Markets?
 - Safe, but low rate of return
- Investment Accounts? Investing in Stocks, Mutual Funds, or Commodities?
 - Risky, but potential for high rate of return
- I am Investing in Real Estate



Our Private Money Partner Program

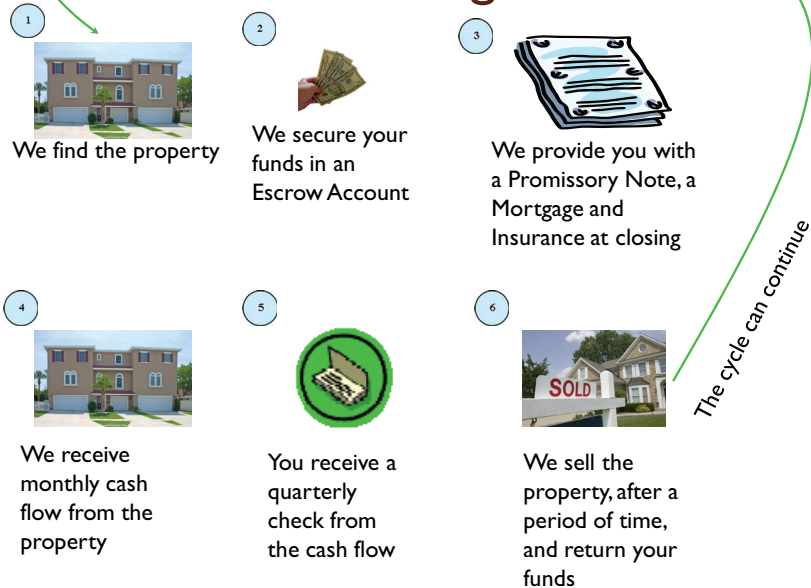
- We buy and sell houses, condominiums, apartment complexes and commercial property.
- To get the best deal possible, we prefer to borrow money from private individuals.
- You can join our program as an equity partner or a debt partner.

Private Money Partner Program

1. We locate a property and provide you with a “property profile”.
2. We secure the funds from you in an escrow account.
3. We conduct a formal closing and you get a mortgage on the property.
4. Depending on the deal, you may receive quarterly payments

Since we pay with cash, we have a better opportunity to secure equity and get the property at a significant discount.

The Program



3 Private Money Partner Payment Options

1. We currently provide quarterly payments of simple interest to our partners.
2. If you need monthly income, we can make monthly payments
3. If you are not looking for monthly cash flow, you will get one check for the principal and interest when the property is sold or refinanced

How do your CDs Compare? \$25,000 Loan Example

What would \$25,000 invested in real estate at 10% look like?

- $\$25,000 \times 10\% = \625 per quarter or \$2,500 per year. → Paid directly to you
 - (5 years = \$12,500)

What would \$25,000 invested in a CD @ 4.17% look like?

- \$25,000 CD @ 4.17% pays \$1,050 per year. → Compounded
 - (5 years = \$5,710)
 - This is a 5 year CD at this rate.

That's a difference of \$6,790 over 5 years !!!



Your Loan is Secured

At closing you will receive

- A Promissory Note
- A Mortgage
- Hazard Insurance Policy
- Title Insurance
- An Appraisal



Do You Have Funds in an IRA, or 401K Plan?

- You can create a self directed IRA to invest in real estate
 - A self directed IRA allows investments in real estate, notes, private placements, tax lien certificates and much more..
- Your profits return to your IRA and therefore stay tax deferred.
- We work with a self directed IRA company and we will complete the paper work for you.

The Stafford Group

- Real Estate Investing for over 10 years
 - Primarily in Florida and Georgia
- We focus on “B” and “C” markets
 - Sound Structures with Good Cash Flow
- We increase the property value for refinancing or sell in 3 to 5 years



The Stafford Group

- We are a Limited Liability Corporation
 - Our offices are right here in Orlando
- We hold properties for 3 to 5 years
- We utilize an excellent property management company (Bridge Real Estate Group) at all of our properties

The Stafford Group

- Office Location:
- Mailing Address:
- Web Site:
- E-Mail:

The Stafford Group



***Insert a picture of your office space here.

The Stafford Group Website

- *** Place an image of your website here

Properties Purchased



Atlanta, Georgia



Savannah, Georgia



Orlando, Florida

Recently Purchased Properties

Property	Location	Type	Units	Purchase Price	Appraised Value	Down Payment	Total Equity
Orange Blossom	Orlando	B	70	2,785,000	3,256,000	557,000	1,028,000
Wild Rose	Buckingham	B	100	2,345,000	4,550,000	469,000	2,674,000
Tamiami	Naples	B	7	3,235,000	4,344,000	647,000	1,756,000
Gwinnett	Savannah	C	30	1,500,000	1,850,000	300,000	650,000
Totals			211	9,865,000	14,000,000	1,973,000	6,108,000

Why you Should Invest with The Stafford Group

- High rate of return
- Quarterly income stream
- No long-term contracts
- IRA and 401K (Self-directed) – tax free investments
- Secured through
 - Promissory Note
 - Mortgage
 - Insurance

Are you Ready?

- What I have just covered is an overview of our private money opportunity that allows your money to become investment income through real estate.
- Before we have our lunch please remove the accredited investor form from the packet on your table
- It will look like this

Accredited Investor Form

Name

Address

Phone

I hereby certify that I am an accredited investor in accordance with S.E.C Rule 501(a) of Regulation D, in that... (check one)

I am an individual with a net income exceeding \$200,000

I/We have a net income exceeding \$300,000

I/We have total assets in excess of \$1,000,000

I would be interested in investing (check one)

_____ \$50,000-\$100,000

_____ \$100,000-\$500,000

_____ \$500,000-\$1,000,000

_____ \$1,000,000+

Are you Ready?

- If this is not for you – do nothing. If you know someone who might be interested, can you give me their name?
- If you are available later today for a one-on-one session, please let me know and I will arrange it
- If you need more time to evaluate our program, please complete the form and I will be in touch with you

Thank you for coming!

Jim Stafford
The Stafford Group

Seminars

A seminar is very similar to the luncheon presentation except that you will not be providing your guests with any food. You can have them presentations during the day, in the evening or on the weekends. We will discuss in the next chapter how you will go about advertising for these events.

In order to make these events a success you will want to make sure that you follow up with your potential investors. Here are a few guidelines for ensuring a successful event. A good rule of thumb is 30-40% of the people who register for your event will attend.

1. Ensure that your investors can register with ease. The registration can be taken by an individual or left on an answering machine. Regardless of the method, make sure you record their name, phone number, email address, and the number of guests they might be bringing.
2. Send email reminders to investors before the event:
 - a. One week out – send an email
 - b. Three days out – send an email
 - c. Day before – Send an email
 - d. Same day – Send an email
3. Make phone call reminders to investors:
 - a. Day before
 - b. Same Day

Chapter 6: Locating Private Money Sources

Locating private money partners is not as difficult as it you may think. As we discussed in the previous chapter it is very important to develop a relationship with any individuals that you have discussed your business with, either through the elevator pitch, a luncheon or a seminar. Therefore the approach that you take when advertising to potential investors is very important. Do not take this process for granted. You have a lot to lose by not following the guidelines.

Flyers

Flyers are a very effective way to introduce your business at Real Estate Investment Associations (REIAs) or other social gatherings. Your flyers should have great pictures, bold headlines, action words and be limited to one page. There are two aspects to creating a flyer that you should be aware of, as the SEC governs general solicitations. There are some things you can do to target one investor that you cannot do to target more than one investor.

Flyers for single investors:

These flyers should only be a one page description of your deal. Your flyer should always contain your contact information, who you are and what you do. Be specific as to the types of property that you invest in. Since you are only seeking out one partner you can display a picture of the property and the investment return. Above all the flyer should be simple. Make sure it is easy to understand and does not confuse the reader. If the reader is confused they will not know what the action is they should take.

Flyers for multiple investors:

The flyer for multiple investors is similar to that of the single investor. As with the previous flyer, ensure that it is simple and clear. The flyer for multiple investors should not mention any percentage rates of returns, or locations of property. You can discuss the types of property that you invest in and testimonials from previous investors. Above all, include a call to action to complete your accredited investor form.

Presentations

Presentations at various events, like REIAs, are a great opportunity to utilize your elevator pitch and excite investors into completing your accredited investor form to get more information. Since your elevator pitch is already compliant with SEC guidelines you do not have to worry about a focus on one investor or multiple investors. As with the luncheon presentation you will get questions about the rate of return or how much money

they have to invest. Be sure to answer them with a call to action and setup the second meeting.

Even if you do not make a formal presentation you should always be utilizing your elevator pitch when you meet people. Make it a goal to always talk to someone you do not already know on a daily basis. This is a great way to share your business and to collect business cards from those that you meet. Presenting and networking is a basis for developing relationships and again this is a relationship business.

One on One Presentations

Now that you have received accredited investor forms from the people that you met through networking, you need to prepare to meet with them over coffee, lunch or dinner. The presentation that you provide during this meeting is just as critical as any other presentation you have done up to this point. This is your opportunity to shine and review your credibility kit with the investor. Be sure to let them know how they can get involved in your business. Above all, ask them if they are interested in getting involved. If you do not ask the questions, you will not know the answer.

With any presentation we have covered to this point it is very important that you practice each presentation, more than once. These presentations should be as fluid as any conversation that you have with a friend, colleague or spouse. The more confident and comfortable you are with your presentation the more confidence you will display when you are presenting.

Advertising

At this point in time in your real estate career you have utilized some form of advertising for selling a home, looking for tenants or just advertising your business in the local newspapers. You can also advertise for private money investors in the newspapers but you have to be very careful of the language that you use. In general, the SEC frowns upon the use of newspapers or other print media to solicit investors, especially when they contain return percentages such as “interested in earning 9% to 15% interest on investments secured by local real estate”. The ad can discuss your business but not solicit an investment. An example of an ad you might run is “What does the real estate bubble mean to you? Find out at a luncheon hosted by XYZ real estate company. Call XXX-XXX-XXXX to reserve your seat.” This will bring individuals to your luncheon presentation where you will encourage them to complete the accredited investor form.

Another form of advertising is a direct mail piece. As with any advertising where you want more than one investor, it needs to be generic in nature. You should purchase a list of qualifying individuals from a mailing list broker. The prices for these names vary by region of the country but \$.28 - \$.48 per name is a reasonable charge. You will then mail these prospects a postcard inviting them to your next luncheon or seminar.

Chapter 7: Packaging Your Private Money Deal

In a typical private money transaction, you are borrowing money from a private individual and this transaction is documented by a promissory note and mortgage. In addition to these two documents you will also want to include the title insurance or hazard insurance. Original documents with original signatures will be provided to the private money partner will be signed

Promissory Note

One of the most important documents you will ever sign with a private lender is the actual Promissory Note that creates the loan obligation. The Promissory Note lays out the terms and conditions under which the private lender is willing to lend you money and under which you are willing to borrow money.

The Promissory Note is where you want to control the private lending process in your favor and give you the borrower the control and flexible you may need in the future. If the Promissory Note does not have the right clauses contained within it, you are potentially giving away tremendous control to your private lender and tying your hands in the future.

The promissory note contains:

- How the loan will be repaid
- Terms or repayment; interest rate and length
- Default – what are the consequences

Mortgage

The Mortgage is the security document for the borrower's performance under the Promissory Note and usually is secured by the piece of real estate you are about to purchase.

The Mortgage is the document that you will record with your local county recording office. Generally, you should have a title clerk or attorney record the Mortgage to be sure it is done correctly and to avoid any problems later.

Certificate of Insurance

You should always provide your private lender with property insurance, including both an owner's title policy and a lenders title policy. You will want to make sure your lender is named as an additional insured on your hazard insurance policy, just like you would if a bank was your lender instead of your private partner.

Investor Management

Your relationship with private partners does not end at the closing table. In fact, the majority of your work will begin after you have “sealed the deal”. What will keep your private money investors satisfied with their investment and you as a manager is your Communication with them.

Monthly and Quarterly Communications

Conduct a monthly conference call with your investors to give them an update on the property. Specifically they will be interested in the revenue, expenses and cash flow. You should also keep them informed about the property in general

Topics to consider during the conference call:

- Housekeeping issues
- Market Information
- Your last site visit
- Operations of the property
- Staff changes
- Financial Overview
- Any questions they may have

Escrow Account

In addition to providing your private partners with the necessary legal documents it is also important to reassure them that their financial assets are secure. The best way to do this is to create an escrow account for their money to be deposited into. An escrow account can be created by you at your own bank or it can be created through your attorney. You may want to consider having your attorney create the escrow account, even though this is at a cost, as it may give your investors more confidence in where the funds are. The attorney has a fiduciary responsibility to ensure the funds are handled correctly.

Once the escrow account is set up you will want all of your investors to **wire** the funds to the account or send you a bank check. You do not want to receive a personal check from your investor. In part, because personal checks can take days up to weeks to clear. Also, if a personal check does not clear then you may have fees assessed against your account. You should also request that bank checks be sent through registered mail, this way you and your investor are both secure in the check being received.

Office System

While you may already have an office system in place for your current real estate business, it is very important that you develop one for your private partner transactions. The system should allow you to readily get access to important documents for each transaction.

- Property Identification Card
 - Property Address
 - Name of Corporation owning the property
 - Contact information for all of your investors
 - Date and time of closing
 - Title Insurance/Hazard Insurance policy and contact information
- Closing Package – This goes to the private money partner
 - Promissory Note
 - All parties should receive a promissory note with original signatures.
 - Recorded Mortgage
 - IRA Documents
 - Insurance Binder
 - Pertinent information of the property
 - Inspection reports – this should be signed by your private partner so they know everything that the inspection shows on the property.
 - Any bids of work to be completed on the property
 - Assignment of rents – security for the loan
 - Include a personal “Thank you” to your partner
- Office Packet
 - Includes everything in the Closing package
 - HUD Statement
 - Appraisal
 - Closing docs if you are carrying a first mortgage
 - UCC-1, Uniform Commercial Code – this is required on most states if you are not utilizing a conventional mortgage.

IRA Process

In the luncheon presentation we discussed the opportunity for private money partners to invest their self-directed IRA or 401Ks in real estate. This is one investing avenue that many individuals have either never heard of or are unclear as to the benefits. If you are not invested in a self-directed IRA, it might be advantageous for you to contact a company that specializes in this type of retirement account. I am very familiar with a company called *Equity Trust* and I will utilize their name in later examples.

By educating yourself about self-directed IRAs you can help answer potential private money partner questions about their current investment strategies. If they are currently invested in an IRA and cannot access their funds, changing over to a self-directed IRA would be one way to accomplish this. A self-directed IRA is technically no different than any other IRA (or 401k). A self directed IRA is unique because of the available investment options.

Most IRA custodians only allow approved stocks, bonds, mutual funds and CDs. A truly self directed IRA custodian, such as Equity Trust, allows those types of investments in addition to real estate, notes, private placements, tax lien certificates and much more. (Equity Trust Website)

Cash Rollover to a self-directed IRA

Request a Distribution Check from your current IRA custodian.

- a) If you are not requesting a distribution of the full account, it is best to request at least \$500-\$1,000 over the projected amount of your initial investment in order to satisfy our minimum cash balance requirement. Also, if you are not electing to have the maintenance fees for your account charged to a credit card, you will need to make sure there is enough cash to cover them as well.
- b) Ask that no taxes be withheld from your distribution, since you are going to avoid them anyway.

Complete Equity Trust self-directed IRA application and hold on to it until you get your Distribution Check.

Once you receive your check in the mail (or pick it up in person), do the following:

- a) Endorse the check over to your new IRA. You will flip it over, sign the back and write "Make payable to Equity Trust FBO" Your Name" IRA".
- b) Complete *IRA Funding Form* (so that they report your rollover correctly to the IRS, enabling you to avoid tax or penalties).
- c) Often, your plan administrator will request your new IRA account number. Because you have already mailed in your IRA application, you may already have received the account number. If you have not, you should be able to contact the plan administrator with that information shortly.

Mail the following to Equity Trust Company:

- a) Application Form (original)
- b) IRA Funding Form (original)
- c) Endorsed Check
- d) Form of payment for Equity Trust's self-directed IRA Set-Up-Fee (Enclose \$50 check payable to Equity Trust or authorize use of your credit card on file).

IRA- IRA

1. Complete self-directed IRA Application.
2. Complete IRA Transfer Request Form, providing us with all the pertinent information about the account from which you would like to transfer funds.
 - a. When completing our Transfer Request Form, if you are not transferring the entire account balance, make sure to request a transfer of at least \$500-\$1000 over the projected amount of your initial investment in order to satisfy our minimum cash balance requirement. Additionally, you may want to leave extra cash in your new IRA to cover your account's maintenance fee.

- b. Make sure to indicate on the Transfer Request Form that you are liquidating and transferring the funds as cash.
- 3. Mail the following to:
 - a. Application Form (original).
 - b. Transfer Request Form (original).
 - c. A Recent Statement (a copy is allowable) from the account from which you are transferring funds.

Contact your current IRA custodian (the one from which you are transferring), and request that they liquidate the amount to be transferred so that liquid funds will be ready upon receipt of our Transfer Request Form.

Make at least one follow-up call to your current transferring custodian once they have received your Transfer Request Form from us. (You must send the Transfer Request Form to Equity Trust: we send it to your relinquishing custodian on your behalf). Calling to confirm that they have received and are processing your request helps avoid any miscommunication or delay. It will also give you a better sense of what sort of turnaround time to expect.

IRA or SEP IRA Conversion to Roth IRA

Check with a tax or financial advisor to make sure that you are eligible to do a conversion, and that you are prepared to pay income tax on any converted amount.

Complete Equity Trust's Roth IRA Application

Complete Equity Trust's self-directed IRA Roth Conversion Request Form, providing us with all the pertinent information about the account from which you would like to convert funds.

- a) When completing the Equity Trust Roth Conversion Request Form, if you are not converting the entire account balance, make sure to request a transfer of at least \$500-\$1000 over the projected amount of your initial investment in order to satisfy our minimum cash balance requirement. Additionally, you may want to leave extra cash in the self-directed IRA to cover your account's maintenance fee.
- b) Make sure to indicate on the Equity Trust Roth Conversion Request Form that you are liquidating and converting the funds as cash.

Mail the following to Equity Trust:

- a) Roth Application Form (original).
- b) Roth Conversion Request Form (original).
- c) A Recent Statement (a copy is acceptable) for the account from which you are transferring funds.

Contact your current IRA custodian (the one from which you are converting funds), and request that they liquidate the amount to be transferred so that liquid funds will be ready upon receipt of our Roth Conversion Request Form.

Make sure at least one follow-up call to you current transferring custodian once they have received the Roth Conversion Request Form from us. (You must send the Roth Conversion Request Form to Equity Trust; we then send it to your relinquishing custodian on your behalf.) Calling to confirm that they have received and are processing your request helps avoid any miscommunication or delay. It will also give you a better sense of what sort of turnaround time to expect.

Conclusion

There is no better time than the present to utilize the tools you have gained in this course to build relationships with private money partners and start taking your real estate investing career to the next level. Don't wait nine months like I did to make your first deal. Even if you have been investing for years, utilizing private money partners will enhance your current investment opportunities and allow you purchase properties that you never thought was possible. Just get out there and do it!

Chapter 8: Private Placement Memorandum

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

YOUR NEW, LLC

A State of STATE Limited Liability Company

\$9,200,000

Dated: July 1, 2008

MINIMUM INVESTMENT - \$100,000

(10 UNITS at \$10,000 per Unit)

This Private Placement Memorandum (“Memorandum”) relates to the sale (“Offering”) of a maximum of Nine Hundred Twenty (920) Units in YOUR NEW, LLC, a STATE limited liability company (“Company”). Each Unit has a price of Ten Thousand Dollars (\$10,000). The fund established by the Members’ purchase of Units in the Company will be used for acquisition, operation, and disposition of four multi-family residential Properties, located in STATE. The dollar amount of the Offering is Nine Million Two Hundred Thousand Dollars (\$9,200,000). The minimum investment amount for each investor is \$100,000 or 10 Units. All references to dollars in this document are to United States Dollars.

This Memorandum is only being offered to qualified investors who meet the Suitability Standards set forth in Section 1. Each Investor must agree to purchase the Units as an investor in the Company for investment purposes only, and must execute the Offeree Questionnaire and Subscription Agreement attached to this Memorandum. This Offering commenced on July 1, 2008 and shall continue until closed by the Manager.

Number _____

The securities offered hereby are speculative and an investment in the Company involves a high degree of risk. See “Risk Factors.”

Investors may be required to bear the financial risks of this investment for an indefinite period of time.

In making an investment decision, investors must rely on their own examination of the company and the terms of this Offering, including the merits and risks involved. These securities have not been recommended by any Federal or State Securities Commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Private Placement Memorandum (“Memorandum”). Any representation to the contrary is a criminal offense.

This Memorandum is based on information provided by the Manager and by other sources the Manager believes reliable. However, there is no assurance that the information provided by these other sources is accurate or complete.

The Manager will make available to any prospective qualified investor, prior to the closing, the opportunity to ask questions of and receive answers from the Manager or persons acting on its behalf, concerning the terms and conditions of this Offering, and to obtain additional information if such information can be obtained.

Any documents attached to this Memorandum, including the Exhibits prepared by the Manager (provided on the attached CD Rom), are important to your understanding of this investment. You should read each of the documents carefully, in addition to reading the entire text of this Memorandum.

This Memorandum (together with any amendments or supplements and any other information that may be furnished to prospective investors by the Company) includes or may include certain statements, estimates, and forward-looking projections of the Company with respect to the anticipated future performance. Such statements, estimates, and forward-looking projections reflect various assumptions of management that may or may not prove to be correct and may involve various risks and uncertainties. No representation is made, and no assurance can be given, that the Company can or will attain such results. Actual results may vary, perhaps materially, from the projections.

This Memorandum does not purport to be all-inclusive or contain all information a prospective investor may desire in investigating the Company. Each investor must rely on their own examination of the Company and the terms of this Offering, including the merits and risks involved in making an investment decision regarding the securities described herein.

You should not consider any information in this Memorandum to be legal, business, or tax advice. Prior to making this investment decision, a prospective investor should consult their own attorneys, accountants, and other advisors and carefully review and consider each document provided with this Memorandum.

This Memorandum has been prepared for submittal to a limited number of potential investors so that they can consider the purchase of an interest in the program. It is not authorized for any other purpose. By accepting delivery of this Memorandum you agree to return it and all enclosed documents if you do not purchase an interest within the time allowed. This Memorandum may not be reproduced in whole or in part, and it may only be distributed and disclosed to prospective investors to whom it is provided directly by the Company.

This Memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, anyone in any state or other jurisdiction in which such an offer or solicitation is not authorized. Except as otherwise indicated, this Memorandum speaks as of the date indicated on its cover page. The delivery of this Memorandum or any sale of securities made hereunder does not imply that no changes in the affairs of the Company have occurred after the date of this Memorandum.

Each investor, prior to his or her purchase of the securities offered hereby, shall have the opportunity to ask questions of, and receive answers from, a representative of the Company at its principal office during business hours, concerning: a) the terms and conditions of this Offering, or b) to obtain any additional information which the Company possesses or can acquire without unreasonable effort or expense in order to verify the accuracy of information furnished in this Memorandum. Prospective investors who wish to obtain such information should contact YOUR NAME, YOUR ADDRESS, YOUR CITY, YOUR STATE, YOUR ZIP, ph. YOUR PHONE.

Any additional information or representations given or made by the Company in connection with this Offering, whether oral or written, are qualified in their entirety by the information set forth in this Memorandum, including, but not limited to, the Risk Factors set forth herein.

INTRODUCTION

This offering (“Offering”) relates to the sale of investment Units (“Units”) in YOUR NEW, LLC (“Company”), a STATE limited liability company. The Company has been formed to purchase and be the owner of three individual properties in LOCATION and one property in LOCATION, consisting of 752 residential multi-family units, which are collectively referenced in this Memorandum as “the Properties” or “Company Property”. The Manager is in the process of purchasing these Properties for the Company. The contract price is Thirty One Million Seven Hundred Thousand Dollars (\$31,700,000). The Properties shall be acquired and operated in accordance with the Investment Objectives and Policies included herein.

The MANAGING, LLC, a STATE limited liability company, is the Manager (“Manager”) of the Company and also the Sponsor of this Offering. YOUR NAME is a member of the Manager and will be making the investment decisions for the Company.

The Offering commenced on July 1, 2008 and will continue until all of the Units are purchased or until, at the Manager’s sole discretion, the sale of Units ceases. The dollar amount of Units to be sold is Nine Million Two Hundred Thousand Dollars (\$9,200,000). Each Unit is priced at Ten Thousand Dollars (\$10,000) and a minimum purchase of Ten (10) Units, representing One Hundred Thousand Dollars (\$100,000) is required of every Member, other than the Manager. A Member may purchase any number of additional Units. The Manager has purchased One Percent of the Company for Ten Thousand Dollars (\$10,000).

Funds collected for the purchase of Units will be deposited in an account owned by the Company at BANK. If for any reason this Offering is rescinded, or if by September 30, 2008 the minimum number of Units have not been purchased, all funds, including any interest earned thereon, will be returned to the investors. The potential investor must realize that if their funds, including any interest earned thereon are returned, the investor may have lost the opportunity to invest that money in some other investment and may have lost earning capacity on their investment during the time it is with Company.

Proceeds

	Price to Investors	Proceeds to the Company
Per Investment Unit	\$10,000	\$10,000
Dollar Amount of Fund	\$9,200,000	\$9,200,000

These Units are offered to investors who meet the Suitability Standards established by the Manager. There is a possibility of conflicts of interest arising between the Members and the Manager. This Offering involves substantial risks. There is the possibility that the proceeds of this Offering will be insufficient to meet the Investment Objectives and Policies the Manager has established. Before purchasing any of the Units offered through this Private Placement Memorandum (“Memorandum”), you should consult with an

attorney, a financial advisor, or a Registered Investment Advisor to determine if this investment is suitable for you.

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1. Suitability Standards

The Manager has established Suitability Standards for the protection of all of the Members. The success of a group investment is often enhanced if all Members share a common investment goal, have similar investment experience, and have similar financial capabilities.

In addition to those who qualify as an “Accredited” investor with a prior business relationship with the Manager. Individuals who do not meet the definition of an “Accredited” investor but have a prior business relationship with the Manager may be allowed to purchase Units if they meet the definition of a “Sophisticated” investor. The Suitability Standards for an investment in the Company were established by the Manager after considering the following factors:

- An investment in these Units involves the risk that the Investor may suffer a complete loss of their investment as an investment in real estate has many risk factors associated with it.
- An investment in these Units has little, if any liquidity. It is unlikely that a market for the resale of these Units will exist. Investors should be prepared to continue in the investment until disposition of all Company Property and the subsequent dissolution of the Company occurs.
- An investment in these Units will be affected by Federal and State income taxes. Investors should consider the taxable income (Losses) projected for Property owned by the Company and should understand the importance of their marginal tax bracket in terms of any tax liability (savings) projected to be received.
- An investment in these Units may produce a positive cash flow which would be available for Distribution. However, it is possible that the Manager will determine to fund additional reserves from the cash flow generated by Company Property and there may not be any cash available for Distribution from operations.
- An investment in these Units should be considered long term in nature. Investors should be in a financial position that will enable them to hold these Units for the period of time projected. Investors should be aware that there may be adverse tax consequences of selling their Units prior to the dissolution of the Company.

1.1. Established Standards

Individual investors who wish to purchase these Units as an “Accredited” investor must meet the following Suitability Standards as defined by SEC Rules 501 and 506; 17 CFR 230.501(a);

- natural person whose individual net worth or joint net worth with that person’s spouse, at the time of the purchase of the Units, exceeds One Million Dollars (\$1,000,000); **or**
- A natural person who had individual income in excess of Two Hundred Thousand Dollars (\$200,000) in each of the two most recent years or joint income with that person’s spouse in excess of Three Hundred Thousand Dollars (\$300,000) in each of those years and has a reasonable expectation of reaching the same income level in the current year; **or**
- A bank, insurance company, registered investment company, business development company, or small business investment company; **or**
- An employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the

- investment decisions, or if the plan has total assets in excess of Five Million Dollars (\$5,000,000); **or**
- A charitable organization, corporation, or partnership with assets exceeding Five Million Dollars (\$5,000,000); **or**
 - A director, executive officer, or general partner of the company selling the securities; **or**
 - A business in which all the equity owners are accredited investors; **or**
 - A trust with assets in excess of Five Million Dollars (\$5,000,000) that was not formed to acquire these Units.

An entity, such as an Individual Retirement Account (IRA) or Self Employed Person (SEP) Retirement Account must have all of the beneficial owners meet one of the above standards. The beneficial owners may be either natural persons or other entities as long as each meet the definition of accredited.

The Manager, at its sole discretion may allow no more than thirty five (35) investors, whether natural persons or retirement accounts, who do not meet these two standards, listed above, to buy Units. For this to happen, the Manager must determine that the prospective investor meets the definition of a sophisticated investor, in that, alone or with the help of a purchaser representative, by reason of their educational, business, or financial experience, can be reasonably assumed to have the capacity to understand the fundamental aspects of an investment in the Company.

In addition, the Manager must ascertain that a prospective investor can bear the economic risks of an investment in the Company, and that the investment is appropriate for the investor's investment objectives, portfolio structure, and financial situation and that the investor has the capacity to protect their own interests in connection with the investment and will make the final decision to invest in the Company.

The Manager has the absolute right in its sole discretion to accept or reject any subscription offer submitted to them, and shall incur no liability for rejection of any prospective investor.

1.2. Methods to Assure Adherence to Suitability Standards

Investors who are interested in purchasing Units will be required to complete an Offering Questionnaire and Subscription Agreement and submit it to the Manager. The Offering Questionnaire will require specific questions be answered and specific documentation be presented to the Manager for review and approval, so that there is assurance that the Suitability Standards are being applied and being met.

2. Summary of the Company and the Use of Proceeds

2.1. Limited Liability Company

The name and address of the Company is:

NEW COMPANY, LLC,
ADDRESS
CITY, ST ZIP

2.2. Manager

The name, address, and telephone number of the Manager is:

MANAGING, LLC
ADDRESS
CITY, ST ZIP
PHONE

As a member of the Manager, YOUR NAME will be the decision maker for the Company.

2.3. Term of the Company

The Company commenced upon the filing of its Articles of Organization and shall be perpetual unless sooner terminated under the provisions found in Article 17 of the Operating Agreement (hereinafter "Agreement") of the Company. A copy of the Articles of Organization and the Agreement, which are incorporated herein by reference, are provided on the attached CD ROM as **Exhibit A**.

2.4. Investment Objective

The investment objective of the Company is to provide its Members with direct investment in multi-family real estate assets with anticipated income from operations and equity growth over a period of approximately three (3) to five (5) years during which time the Properties will either be sold or refinanced. While the Manager anticipates achieving this investment objective in the timeframe referenced, it is possible that the time frame may be longer than anticipates and an Investor should be financially capable of having their money invested in the Company for an indefinite time period.

2.5. Specific Properties to be Acquired

This Offering involves the purchase of three existing apartment complexes located at LOCATION and a fourth property in LOCATION. The Manager is in the process of purchasing these Properties for the Company. The purchase price is Twenty One Million Nine Hundred Thousand Dollars (\$21,900,000). Property Packages with information about the Properties and surrounding areas which are incorporated herein by reference, are provided on the attached CD ROM as **Exhibit B**. A summary of information for each Property is provided below:

2.5.1. PROPERTY 1

PROPERTY 1 is a 200 unit apartment complex built in 1982. The complex consists of seventeen 2-story brick veneer/wood buildings, a leasing center/clubhouse and two clothes-care facilities (20 buildings total) on approximately 5.8 acres.

The unit mix for PROPERTY 1 is:

# of Units	Bedrooms	Baths	Size (Sq. Ft.)
40	0	1	431
32	1	1	468

48	1	1	554
16	1 plus den	1	644
32	2	2	759
16	2	2	869
16	2	2	907
Total 200	--	--	--

2.5.2. PROPERTY 2

PROPERTY 2 is a 124 unit apartment complex built in 1973. The complex consists of eleven 2-story brick veneer/wood buildings and a leasing center (12 buildings total) on approximately 6.91 acres.

The unit mix for PROPERTY 2 is:

# of Units	Bedrooms	Baths	Size (Sq. Ft.)
48	1	1	752
52	2	2	981
24	3	2	1138
Total 124	--	--	--

2.5.3. PROPERTY 3

PROPERTY 3 is a 228 unit apartment complex built in 1982. The complex consists of nineteen 2-story brick veneer/wood buildings and a leasing center/clubhouse (20 buildings total) on approximately 11.0 acres.

The unit mix for PROPERTY 3 is:

# of Units	Bedrooms	Baths	Size (Sq. Ft.)
48	1	1	638
40	1	1	728
24	1 (townhouse style)	1	757
24	1 (townhouse style)	1.5	844
28	2	2	931
36	2	2	1042
28	2 (townhouse style)	2.5	1207
Total 228	--	--	--

2.5.4. PROPERTY 4

PROPERTY 4 is a 200 unit apartment, built in 1979 and located in LOCATION.

The unit mix for PROPERTY 4 is:

# of Units	Bedrooms	Baths	Size (Sq. Ft.)
48	Studio	1	442
32	1	1	544

48	1	1	660
48	2		1000
9	2		1105
15 Townhouse	2		1105
Total 200			

2.6. Company is Self Liquidating

The Manager expects that the holding period of any Property acquired by the Company will be between three (3) and five (5) years. Upon disposition of the Properties, cash Distributions will be made to the Members, according to Articles 10.2 and 17.3 of the Agreement. Under the terms of the Agreement, the Company will be liquidated upon sale of the last Property owned by the Company.

2.7. Definition of Terms

The terms used herein are defined in the Glossary (Section 12) of this Memorandum

2.8. Summary of Use of Proceeds

The following Table shows a summary of the estimated use of proceeds generated through the sale of Units pursuant to this Offering.

SUMMARY OF THE USE OF PROCEEDS SECTION (Estimated Application of Proceeds of This Offering)		
	Maximum Dollar Amount	Percent
Gross Offering Proceeds	\$9,200,000	100%
Legal and Accounting Expenses (1)	\$1,400,000	1.5%
Acquisition Fee (2)	\$1,585,000	17.2%
Amount Available for Investment	\$7,475,000	81.3%
Capital Improvement Reserves	\$318,000	3.5%
Total Available for Investment in the Properties (2)	\$7,157,000	77.8%
Total Proceeds Invested	\$7,475,000	81.3%
Total Application of Proceeds	\$9,200,000	100.0%
(1) Includes a maximum of \$140,000 as a non-recurring fee to be paid for legal, accounting, printing and other expenses of this Offering. The Manager will be reimbursed for out of pocket expenditures for these items.		
(2) The Manager will receive an Acquisition Fee in the amount \$1,585,000 calculated at 5% of the total purchase price of the Properties		

3.1. Cash Distributions to Members

The Members may receive cash Distributions from the Company as authorized in the

Agreement and summarized in the following Table:

Phase of Operation	Basis for Cash	Distribution Amount of Cash Distribution
Operations	Annual Distributions	<ul style="list-style-type: none">• 9% annual cumulative interest, calculated against the Members' Unreturned Capital Contributions, plus• 75% of any remaining Distributable Cash from Operation of the Properties, after the Manager has received a Distribution equal to 2.5% annual cumulative interest, calculated against the Members' Unreturned Capital Contribution
Refinance or Disposition	Percent of Distributable Cash	<ul style="list-style-type: none">• 100% of Members' Unreturned Capital Contributions, then• 75% of any remaining Distributable Cash
Dissolution and Termination	Percent of Distributable Cash	<ul style="list-style-type: none">• 100% of Members' Unreturned Capital Contributions, then• 75% of any remaining Distributable Cash

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3.2. Cash Distributions and Fees Paid to Manager

The Manager may receive cash Distributions and Fees from the Company as authorized in Article 4 of the Agreement of the Company and summarized in the following Table. The maximum amounts of Manager's Fees cannot be determined at this time.

Phase of Operation	Basis for Cash Distribution	Amount of Cash Distribution
Organization	Property Acquisition/Due Diligence	<ul style="list-style-type: none"> • 5% of the Purchase Price of the Properties. The amount of this fee is calculated at \$1,095,000.
Operations	Annual Distributions	<ul style="list-style-type: none"> • 2.5% of the Members' Unreturned Capital, subordinated to Members' receipt of 9% cumulative annual interest calculated against their Unreturned Capital, plus • 25% of any remaining Distributable Cash from Operation of the Properties
Refinancing or Disposition	Percent of Refinancing	<ul style="list-style-type: none"> • 1% of proceeds from Refinance or Disposition of the Properties
Refinance or Disposition	Percent of Distributable Cash	<ul style="list-style-type: none"> • 25% of any Distributable Cash, subordinated to Members' receipt of 100% of their Unreturned Capital Contribution
Dissolution and Termination	Percent of Distributable Cash	<ul style="list-style-type: none"> • 25% of any Distributable Cash, subordinated to Members' receipt of 100% of their Unreturned Capital Contribution

3.3. Manager Will Purchase Units

The Manager, who will also be a Member, will purchase One Percent (1%) of the Units in the Company for Ten Thousand Dollars (\$10,000). The Members will purchase Ninety Nine Percent (99%) of the Units. In addition, members of the Manager (as individuals) may purchase Units in the Company.

4. Conflicts of Interest

It is possible that conflicts of interest will arise between the Company and the Manager and or affiliates of the Manager. Potential conflicts may be, but are not limited to those listed below:

4.1. Manager May be Involved in Similar Investments

The MANAGING, LLC, or its members, may act as a Manager or be a member in other limited liability companies engaged in making investments similar to those contemplated to be made by the Company. To the extent its time is required on other business and ownership management activities it may not be available to be involved in the day to day monitoring of the Company's operations.

The Manager has numerous other business responsibilities and ownership interests which will demand some or most of its time during the life of the Company.

4.2. Manager May Have Interests in Similar Properties

The MANAGING, LLC and its members, now own or may come to own an Interest in a property that may compete with a Property that may be acquired by the Company. To the extent its time or assets are required on other business and ownership management activities the Manager may not be involved in the day to day monitoring of the Company's operations.

4.3. Manager May Act on Behalf of Others

The MANAGING, LLC and its members, may act in such capacities for other investors, companies, partnerships, or entities that may compete with the Company.

4.4. Manager May Raise Capital for Others

The MANAGING, LLC, and its members, who will raise investment funds for the Company, may act in the same capacity for other investors, companies, partnerships, or entities that may compete with the Company.

4.5. Members of Manager May be Real Estate Licensees

YOUR NAME, a member of the Manager, is a licensed real estate broker in STATE. He may participate in real estate brokerage commissions paid on the disposition of Company Property.

5. Fiduciary Responsibility of the Manager

The Manager is accountable to a limited liability company as a fiduciary and consequently must exercise good faith and integrity in handling the affairs of the limited liability company. This is a rapidly developing and changing area of the law and the Members who have questions concerning the duties of the Manager should consult with their counsel.

A Member has a right to expect that the Manager will do the following;

- use their best efforts when acting on their behalf,
- not act in any manner adverse or contrary to their interests,
- not act on their own behalf in relation to their interests, and
- exercise all of the skill, care and due diligence at their disposal.

In addition, the Manager is required to make truthful and complete disclosures so that investors may make informed decisions. The Manager is forbidden to obtain an advantage at the expense of any of the Members, without prior disclosure to the Company.

5.1. Duties of the Manager to the Company

5.1.1. Duty of care and the ‘business judgment rule’

Just as officers and directors of corporations owe a fiduciary duty to their shareholders, the Manager is required to perform its duties with the care, skill, diligence, and prudence of like persons in like positions.

The Manager will be required to make decisions employing the diligence, care, and skill an ordinary prudent person would exercise in the management of their own affairs. The ‘business judgment rule’ should be the standard applied when determining what constitutes care, skill, diligence, and prudence of like persons in like positions.

5.1.2. Duty of disclosure

The Manager has an affirmative duty to disclose material facts to the Members. Information is considered material if there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision.

The Manager must not make any untrue statements to the Members and must not omit disclosing any material facts to the Members.

5.1.3. Duty of loyalty

The Manager has a duty to avoid undisclosed conflicts of interest. Before raising money from Members, the Manager must disclose any conflicts that may exist between the interests of the Manager and the interests of the Company or any of the individual Members.

5.2. Indemnification of Manager

The Agreement, in Article 3.8, provides an indemnification of the Manager. The Company is bound to indemnify and hold the Manager harmless for any acts done or omitted to be done, under the authority granted to the Manager, except in the case of willful misconduct, gross negligence, or fraud. Further, the Agreement contains a provision that each of the Members shall indemnify and hold harmless the Manager for any liability associated with their misrepresentation(s) as to their suitability for Membership in the Company, based on the Suitability Standards established by the Manager in Section 1 hereof. This indemnification will provide the Members with a more limited right of action against the Manager than they would have if the indemnification were not in the Agreement.

6. Risk Factors

6.1. Principal Risk Factors

An investment in the Company involves the risk of a loss of the Members' capital. Potential investors are to carefully consider each of the following factors, and to discuss them with their advisors, which should include attorneys, accountants, and investment advisors.

6.1.1. Incomplete information on the Properties

As it is received, all of the information the Company obtains regarding the Property will be available to Members upon request. The Manager has significant prior experience in real estate projects and will endeavor to obtain and verify all material facts regarding the Properties. Nevertheless, it is possible that the Manager will not discover certain material facts, because information presented by the current property owners may be prepared in an incomplete or misleading fashion, and the due diligence efforts of the Manager may fail to uncover such facts.

Only individuals who feel comfortable with making an investment in the Company knowing that such crucial information may be missing should consider becoming a Member in the Company.

6.1.2. Forward financial projections

The Manager has provided forward financial projections for the Members to review. These financial projections are based upon assumptions that may turn out to be wrong.

The operating and financial information contained in the financial projections were prepared by the Manager based on its current estimate of future performance. The projected results are based on assumptions and events over which the Manager has little or no control, and will depend on the Manager's success in managing the Properties. The Manager used its best judgment in selecting the assumptions underlying the projected information; however, the projections are uncertain because the facts underlying the assumptions will affect the projections. If the assumed events do not materialize, then the actual results will vary from the projected results. As a result, the Company may not achieve the financial results set forth in the financial projections.

Prior to making an investment in these Units, each potential investor is encouraged to make arrangements with the Manager to view all of the available information on the Property in the office of the Manager. YOUR NEW, LLC

The Member should study Section 9 of this Memorandum to review the Investment Objectives and Policies of the Company.

6.1.3. Company intends to use leverage

The Company's objectives include the use of trust deeds or mortgages in the acquisition and operation of Properties it purchases. The Company expects that the amount of leverage used to acquire the Properties will not exceed eighty percent (80%) of the acquisition price of any single Property purchased by the Company however the amount of leverage may be more or less than eighty percent (80%).

The Company's use of leverage increases the risk of an investment in the Company, as it is possible that the rental income from the Properties, in any month, will be inadequate to make the monthly debt service required on all of the Loans against its Property. A result of the Company being unable to make the required financing payments on a specific Property may be that the lender could foreclose on that Property and some or all of the Company's investment in that Property could be lost.

There is also the risk that at the time of the sale of a specific Property, the sales proceeds will not be greater than the amount needed to pay off the total remaining balance of the financing and, as a result, some or all of the Company's investment in that Property will be lost. The Manager anticipates that the financing for Property acquired by the Company will likely be from Fannie Mae lenders. Terms of the Loans are anticipated to be between 5 and 10 years. There is a risk that if at the end of the term of the Loan a Property cannot be sold or refinanced so that the proceeds generated will allow the Loan to be paid off, the Property could be lost to the lender in a foreclosure action, resulting in the total loss to the Members of any capital which had been invested in that Property. The Company intends to invest in multiple Properties and as a result the risks outlined above may be minimized if cash from operations or sale or refinancing from one of the Company Properties may be available to offset losses in another Company Property, thereby minimizing the risk of using leverage.

6.1.4. Disposition may not occur as projected

The financial projection of the Manager shows re-sale (i.e., disposition) of the Properties in the third year and a distribution of cash proceeds available from the disposition. The Manager offers no assurance that this disposition will occur. Investors should take into consideration that disposition may not occur and the corresponding cash distribution may not be made. If the disposition does not occur as projected the result will be that the Manager's projected outcome for the Company will change. Investors who need their Capital returned to them in the third year should consider the risk that this might not occur.

6.1.5. Regional, state and local economic conditions may change

Performance of the Properties is likely to be dependent upon the condition of the economy in the southwestern United States, STATE in general and CITY, specifically. There is a risk that at the time of the projected sale of the Properties, the marketplace may be different than projected.

6.1.6. General Risks related to investing in real estate

Factors which might affect the Company's ownership of multi-family apartment houses might include, but are not limited to any or all of the following; changing environmental regulations, adverse use of adjacent or neighboring real estate, changes in the demand for or supply of competing properties, local economic factors which could result in the reduction of the fair market value of a Property, uninsured losses, significant unforeseen changes in general or local economic conditions, inability of the Company to obtain any required entitlements for a reasonable cost or on reasonable conditions or within a reasonable time frame or at all, inability of the Company to obtain the services of appropriate consultants at the proposed cost, changes in legal requirements for any needed entitlements, problems caused by the presence of environmental hazards on a Property, changes in federal or state regulations applicable to real property, failure of a lender to approve a Loan on terms and conditions acceptable to the Company, lack of adequate availability of liability insurance or all-risk or other types of required insurance at a commercially-reasonable price, shortages or reductions in available energy, acts of God or other calamities.

6.1.7. Risk of not receiving any Distributable Cash on sale or refinance of the Properties

It is possible that the Company will not have any Distributable Cash and the Members may not receive any Distributions at all. However to the extent the Company intends to acquire multiple properties, this risk may be offset by the likelihood that some of the properties may generate Distributable Cash even if others do not.

6.1.8. No market exists for Units

There is a risk that no market for the Units exists and as a result, the investment in the Company is illiquid should a Member desire to liquidate their Interest prior to dissolution or termination of the Company. If a Member attempts to sell their Units prior to the dissolution of the Company, there is no certainty that the Unit can be sold for full market value or that the Unit may be sold at any price.

6.2. Risk Factors Involving Income Taxes

6.2.1. The Manager will not obtain an IRS ruling as to the tax status of the group

In 1996, the IRS adopted regulations simplifying the classification of the entity issue in investment groups. As applied on the federal level, these regulations replace the four prong test which has historically been applied to determine the classification of the entity as a corporation or a partnership. The recent adoption by the IRS of the so-called ‘check-the-box’ regulations sets partnership as the Federal tax default classification for limited liability companies being formed today. No action need be taken by the Company if it does not elect to be taxed as a corporation.

The Company will operate under the STATE Limited Liability Company Act, and as such, it will elect to be treated as a partnership for State income tax purposes.

After reviewing the STATE and Federal requirements, the Manager has determined not to obtain an IRS ruling as to the tax status of the group.

6.2.2. Tax liability may exceed cash Distribution from operations

As a result of decisions of the Manager in operating the Company, which may require the suspension of cash Distribution due to a need to maintain a higher level of cash reserves, along with other events, there is a risk that, in any tax year, the tax liability owed by a Member will exceed the cash Distribution in that year.

As a result, some or all of the payment of taxes may be an out of pocket expense of the Member.

6.2.3. Tax liability may exceed cash Distribution from the disposition

There is a risk that on the disposition of the Properties, the tax liability of the Member may exceed the Distributable Cash available. In the event of a foreclosure or other involuntary disposition of any Company Property, there is the possibility of a Member having a larger tax liability than the amount of cash available for Distribution at the time of the event, or at any time in the future.

6.2.4. Risk of audit of Member’s returns

There is a risk that an audit of the Company’s records could trigger an audit of the individual Member’s tax records.

6.2.5. Risk that Federal or State income tax laws will change

There is a risk associated with the possibility that the Federal or State income tax laws may change affecting the projected results of an investment in the Company. At the current time the country is approaching an election in November, 2008 and there is a possibility that in 2009 Congress may make substantial changes in the Federal tax laws that apply to the Company and the Members of the Company.

If an investor may be interested in exchanging an Interest in the Company by means of a tax-deferred exchange at some future time, he or she should understand that this is a somewhat unsettled area of the law, and that future court decisions in this area are unpredictable. If this is a concern, the investor is advised to discuss these issues with his or her accountant, tax attorney or other tax advisor before deciding whether to invest.

6.2.6. Risk that Federal and State income tax returns will not be prepared in a timely manner

If the Company is unable to prepare and deliver the Federal or State income tax returns in a timely manner the Member may be forced to file an extension on their individual income tax returns and will likely incur a cost to do so, including possible penalties to the Federal and State governments. If the Company is unable to prepare and deliver the Federal or State income tax returns at all, the Members may be required to incur additional expenses in employing independent accountants to complete the returns.

6.3. Risk Factors Related to the Company**6.3.1. Lack of capital**

There is a risk that the amount of capital to be raised by the Company will be insufficient to meet the investment objectives of the Company. If there is a shortage of capital, the Manager will use its best efforts to obtain funds from a third party. Obtaining funds from a third party may require an increase in the amount of financing the Company will be obligated to repay. In addition, there is no certainty that funds from a third party will be available at a reasonable cost, if available at all.

6.3.2. Lack of Loans from the Members or Manager

In the event of a lack of capital and the unavailability of third party borrowing, Article 8 of the Agreement establishes the process to allow Members to make a Loan to the Company. There is no certainty that either the Manager or any of them Members will consent to make a Loan to the Company.

6.3.3. Members of the Manager are now or may in the future be the Managers of other Companies

In addition to being the Manager of the Company, members of the Manager are currently the Manager of other companies and may become Managers of companies to be formed. As such, the Manager may have made or will have to make commitments to other companies that preclude the Manager from being able to devote its entire time or entire financial assets to the business of the Company.

The Manager will not commence fundraising in a competing fund until the sale of the Units in the Company is completed.

6.3.4. Federal, State and Local regulations

There is a risk of a change in the current Federal, State and Local regulations as it may relate to the operations of the Property in the area of fuel or energy requirements or regulations, construction and building code regulations, approved Property use, zoning and environmental regulations, among other regulations.

6.3.5. New Venture

This is a new venture for the Company. The Company is being formed specifically for the purpose of making an investment in the Property and the Company has no financial records of past performance. However, members of the Manager have extensive experience in the management of entities that have owned and operated properties similar to the Property being acquired by the Company.

The MANAGING, LLC through YOUR NAME, has significant prior experience in real estate projects and will endeavor to obtain and verify all material facts regarding each Property to be acquired by the Company. The Manager has compiled track record information from previous transactions provided on the attached CD ROM as **Exhibit C** and incorporated herein by reference.

6.3.6. Lack of control by non voting Members

The Members will have no control over the Company's day to day operations, and will be able to vote only on the specific decision to replace the Manager. If the Members are unhappy with the progress of the Manager, the Members can terminate the services of the Manager, but this will require a vote of Seventy Five Percent (75%) the Members' Interests. Removing the Manager will not impact the Manager's Distributions and Fees.

7. Prior Performance of the Company, the Manager and Affiliates

7.1. History of the Company and Manager

The Company is newly formed and has no experience raising and investing funds in multi-family properties. However, the Manager, through YOUR NAME, has substantial experience in acquiring, operating, and disposing of real estate similar to YOUR NEW,

LLC the real estate which the Company intends to acquire. A track record of the Manager is provided on the attached CD ROM as **Exhibit C**.

7.2. Financial Statements of the Company

The Company is newly formed and does not have an audited financial statement. The Manager will obtain a financial statement prepared in accordance with generally accepted accounting principles at the end of every calendar year and will distribute it to the Members.

7.3. Financial Statements of the Manager

The Manager will not make its financial statements available for the Members to review.

8. Management

8.1. Management of the Company

The MANAGING, LLC is the Manager of the Company. All business and affairs of the Company shall be managed by the Manager. The Manager shall direct, manage, and control the Company to the best of its ability and shall have full and complete authority, power, and discretion to make any and all decisions and to do any and all things that the Manager shall deem to be reasonably required to accomplish the business and objectives of the Company. The rights and duties of the Manager are described in Article 3 of the Agreement.

8.1.1. Communications with Members

The Manager intends to furnish Members with ongoing financial information about the performance of the Company and to use electronic mail (e-mail) as the primary method of communication. Each Member must have an e-mail account or must agree to establish an e-mail account. The Company can not guarantee that emails will get delivered to the Members. The Manager may conduct teleconferences with the Members as the Manager deems necessary.

9. Investment Objectives and Policies

9.1. Investment Objectives

The investment objectives of the Company are specifically stated to acquire, manage, lease, and sell four multi-family residential Properties in STATE so as to accomplish the following objectives.

9.1.1. Provide cash for distribution for Members

An investment objective of the Company is to generate Distributable Cash from Property secured by real property. The Manager anticipates making quarterly Distributions of the Distributable Cash of the Company subject to retention of reasonable working capital reserves, determined by and in the discretion of the Manager.

9.1.2. Provide the Members the opportunity to take part in the real estate ownership process

An investment objective of the Company is to provide an opportunity for a Member to make a direct investment in commercial real estate, an opportunity which an individual Member, on their own, may otherwise be unable to participate.

9.1.3. Provide investment security for Members

An investment objective of the Company is to provide real estate security for the Members. The Manager has structured the purchase of the Property anticipating that the Loan obtained to purchase and renovate the Property will have an approximate Loan to value percentage of not greater than approximately Eighty Percent (80%) of the acquisition price and the amount spent on rehabilitation, if any. The Loan may be smaller or larger than anticipated. The Manager believes that this level of leverage will provide a degree of security for the Members.

9.1.4. Provide for self liquidation

An investment objective of the Company is to manage the Company so that it will be self liquidating. When all Company Property has been sold, the Company will be dissolved.

9.1.5. Allow Members minimal involvement in management

An investment objective of the Company is to provide the Members an investment that requires minimal involvement in property or asset management.

9.1.6. Provide Members with limited liability

An investment objective of the Company is to provide the Members with limited liability.

9.2. Investment Policies

9.2.1. Cash Distributions to Members

An investment objective of the Company is to generate Distributable Cash from the operation and/or disposition of Property acquired. The Manager will attempt to manage the Company so as to distribute cash to the Members at a rate of Nine Percent (9%) cumulative annual preferred return. The Manager shall make quarterly cash Distributions from the Distributable Cash of the Company subject to retention of reasonable working capital reserves, as determined by and in the discretion of the Manager. Any additional

available Distributable Cash will be distributed to the Members during the first quarter of the following year. It is anticipated that the first cash Distribution will be made no earlier than December 31, 2008.

9.2.2. Cash Distribution from refinance or sale of the Property

The Manager will manage the Property so that the maximum cash Distribution will be made from proceeds available from refinancing or sale (i.e., disposition), in accordance with the terms of the Agreement. The Agreement calls for the Members to receive cash Distributions as a result of refinancing or disposition in the following amounts:

A distribution needed to return the remaining Unreturned Capital of the Members, plus Seventy Five Percent (75%) of remaining Distributable Cash.

9.2.3. Identified Property

The Company will invest in the Properties identified in the Property Package, which is provided on the attached CD ROM as **Exhibit B**. The Company will not invest in any other Property.

9.2.4. Use of Limited Partnership or Limited Liability Company Structure to Facilitate Financing

The Manager may determine that the Company may have to become a member in a limited liability company formed to own a specific Property in order to accommodate the requirements of certain real estate lenders. This decision will be made on a Property by Property basis.

In the event that the Manager is required to form an additional limited liability company to take title to a Property to be acquired by the Company, the Manager will structure the new limited liability company to have a maximum of two members. The MANAGING, LLC will be one member and will own One Percent (1%) and the Company will be the second member and will own Ninety Nine Percent (99%) of the Units in the new limited liability company.

The operations of such limited partnerships or limited liability companies will be handled in such a manner as to consolidate the operations of all the entities at the Company level, where Distributions, if any will be made.

10. Description of Properties and Related Documents

10.1. Specific Properties

This Offering involves the purchase Units in a Company which is being created to purchase and operate four existing apartment complexes located in STATE, as further

described in Section 2.5 herein and in the Property Packages provided on the attached CD ROM as **Exhibit B** and incorporated herein by reference.

The Manager is in the process of purchasing these Properties for the Company. The combined contract price is Thirty One Million Seven Hundred Thousand Dollars (\$31,700,000). The Contracts for Sale and Purchase, provided on the attached CD ROM as **Exhibit D** and incorporated herein by reference.

10.2. Financing

The Manager has applied for new Loans or will be making application to assume existing Loans to facilitate the acquisition of the Property. The Manager has provided commitment letters for Loans in the approximate amount of Seventeen Million Six Hundred Thousand Dollars (\$17,600,000). The CITY property has loans which will be assumed by the Company. The Loans on the individual Properties are anticipated to be as follows:

Property	Loan Amount	Anticipated Terms
PROPERTY 3	\$7,759,000	Seven Years. Three years interest only. 30 year amortization schedule. Interest not to exceed 6.12%
PROPERTY 2	\$3,745,000	Seven Years. Three years interest only. 30 year amortization schedule. Interest not to exceed 6.12%
PROPERTY 1	\$6,326,000	Seven Years. Three years interest only. 30 year amortization schedule. Interest not to exceed 6.12%
PROPERTY 4	\$7,794,000	First mortgage of \$5,840,000 at 5.18%. Second mortgage approximately \$1,954,000 at 6.30%

A copy of the commitment letter from the lender is provided on the attached CD ROM as **Exhibit E**, and incorporated herein by reference.

10.3. Financial Projections

The Manager has provided the Company with the Property Packages which include financial analysis and the supporting assumptions regarding the Property as **Exhibit B**.

11. Federal Taxes

The potential investor should be aware of the material Federal income tax aspects of an investment in the Units, effective as of the date of this document. An investor should consult with their tax professional to determine the affects of the tax treatment of their Interest in the Company on their individual situation.

11.1. Reporting Status of the Company

The adoption, by the IRS, in 1996, of the so-called ‘check-the-box’ regulations sets partnership status as the default Federal tax classification for limited liability companies being formed today. No further action is needed to be taken by the Company to obtain partnership status. In addition, the Company, will operate under the STATE Limited Liability Company Act, and as such, the Company will elect to be treated as a partnership for State income tax purposes. By maintaining partnership tax status the Company will not be taxed on income or loss at the Company level, but will report to each Member their distributive share of Profits and Losses from operations and disposition according to Article 9 in the Agreement. This process will make the Company a pass through entity for tax purposes.

11.2. Taxation of Members

The Company will be treated as a partnership for Federal tax purposes. A partnership is not a taxable entity. A Member will be required to report on their Federal tax return their distributable share of partnership profit, loss, gain, deductions or credits. Cash Distributions are generally not taxable, but create a deduction in the Member’s capital account.

11.3. Basis of the Company

An original tax basis will be established for the Company in the Properties including the purchase price and the acquisition costs. The tax basis of the Company will be adjusted during the operations of the Company by the addition of any capitalized expenditures.

11.4. Basis of a Member

A Member will establish their original tax basis by including their initial capital investment. The Member’s tax basis will be adjusted during operations of each Property by the addition of Capital Contributions made.

In total, a Member may deduct their share of Company Losses only to the extent of the adjusted basis of their Interest in the Company.

11.5. Cost Recovery and Recapture

The Manager will direct the outside accounting firm to apply the current cost recovery rules to the improvement portion of any Property according to the relevant Internal Revenue Code Sections, namely: straight line, using a 27.5 year useful life for residential property and 39 years for non-residential property.

The annual cost recovery deductions that must be taken by the Company will be allocated to the Members based on their pro rata ownership share. The cost recovery deductions will be available to the Members to shelter the principal reduction portion of the debt service payments and part of the cash flow distributed by the Company.

According to the current tax code, cost recovery deductions taken during operations may be required to be reported on the sale of any Property acquired by the Company and may be taxed at a 25% marginal rate, not the more favorable long term capital gains rates. The Company will not take any deductions for cost recovery on any accelerated methods.

11.6. Deductibility of Prepaid and other Expenses

The Company will incur expenditures for legal fees in association with the set up of the Company. Some of these expenditures will be expensed at the formation of the Company and some will be capitalized and will be deducted in accordance with the current provisions of the Code.

The Company will incur expenditures for accounting fees associated with the preparation and filing of the annual informational return and the preparation of Schedule K-1 reports to be distributed to the Members. These expenditures will be deducted on an annual basis. All other normal operating expenses will be deducted on an annual basis by the Company, which will use a calendar accounting year.

11.7. Annual Operations

According to the Investment Objectives and Policies, the Manager is projecting that there will be taxable income to distribute to the Members on the Schedule K-1 report provided to each Member annually. This taxable income must be reported to the IRS by each Member, along with any other taxable income or loss they have to report. The tax liability incurred by each Member will depend on their individual marginal tax rates for both State and Federal tax.

11.8. Disposition

On dissolution and termination of the Company, which will likely be caused by the sale of every Property owned by the Company, the Members may be allocated taxable income that may be treated as ordinary income or capital gain. Article 17 of the Agreement describes the procedures on the dissolution and termination of the Company.

In addition, the Members may receive an adjustment in their Capital Account(s) that will either increase or decrease the capital gain to be reported. Article 8 of the Agreement describes the operation of Capital Accounts for the Company and the Members.

Under current tax treatment, gains that must be reported as cost recovery recapture will be taxed at a marginal rate of 25%. Under current tax treatment, gains that are reported as long term capital gains are to be taxed at 15%, if the disposition takes place prior to December 31, 2010 and 20% if the disposition takes place after January 1, 2011.

11.9. Phantom Income

It may occur that in any year the Members will receive an allocation of taxable income and not receive any Distribution of cash. This event is called receiving phantom income as the Member has income to report, but receives no cash.

11.10. Sale or Other Disposition of a Member's Interests

A Member may be unable to sell their Interests in the Company as there may be no market. If there is a market, it is possible that the price received will be less than the market value. It is possible that the taxes payable on any sale may exceed the cash received on the sale.

Upon the sale of a Member's Interest, the Member will report taxable gain to the extent that the sale price of the Interest exceeds the Member's adjusted tax basis. A portion of taxable gain may be reported as a recapture of the cost recovery deduction allocated to the Member and will be taxed at the cost recovery tax rate in effect at that time. Presently, the maximum Federal tax rate on cost recovery recapture is 25%. The balance of the taxable gain will be taxed at the capital gain tax rate in effect at that time. Presently the maximum Federal tax rate on capital gains until December 31, 2010 is 15%. After January 1, 2011, the current maximum Federal tax on capital gains will increase to 20%.

11.11. Tax Returns and Tax Information

Annually, the Manager will file an informational return, using IRS Form 1065. In addition, the Manager will annually provide each Member a Schedule K-1 report. Each Member will report this income or loss along with their other taxable income.

The tax liability incurred by each Member will depend on their individual marginal tax rates for both State and Federal tax. The Manager will attempt to provide the annual tax information to the Members by March 15.

12. Glossary

"Agreement" shall mean the written Operating Agreement for YOUR NEW, LLC. No other document or other agreement between the Members shall be treated as part of or superseding the Agreement unless it has been signed by all of the Members.

“Capital Account” shall mean the account established and maintained for each Member in accordance with the Agreement.

“Capital Contribution” shall mean any contribution to the capital of the Company in cash, property, or services by a Member whenever made.

“Capital Transaction” shall mean the refinancing or sale of any Company Property (as hereinafter defined).

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

“Company” shall refer to YOUR NEW, LLC, a STATE limited liability company.

“Company Property” shall mean, for purposes of this Memorandum, all real property, (whether single or multiple properties) acquired by the Company using money generated from the sale of Units in the Company.

“Distributable Cash” means all cash of the Company derived from Company operations and miscellaneous sources (whether or not in the ordinary course of business) reduced by: (a) the amount necessary for the payment of all current installments of interest and/or principal due and owing with respect to third party debts and liabilities of the Company during such period, including but not limited to any construction Loan, permanent Loan or any other third party financing obtained by or on behalf of the Company; (b) the repayment of Advances, plus interest thereon; and (c) such additional reasonable amounts as the Manager, in the exercise of sound business judgment, determines to be necessary or desirable as a reserve for the operation of the business and future or contingent liabilities of the Company. Distributable Cash may be generated through either operations or Capital Transactions.

“Distribution” shall mean the disbursement of cash or other Company Property to the Manager or Members in accordance with the terms of this Agreement.

“Interest” shall mean the proportion of that Member’s positive Capital Account (if any) bears to the aggregate positive Capital Accounts of all Members whose Capital Accounts have positive balances.

“Loan” shall mean any Loan the Company will obtain to facilitate the acquisition or operation of a Property.

“Losses” shall mean, for each Fiscal Year, the losses and deductions of the Company determined in accordance with accounting principles consistently applied from year to year under the cash method of accounting and as reported, separately or in the aggregate, as appropriate, on the Company’s information tax return filed for Federal income tax purposes.

“Manager” shall mean MANAGING, LLC, a STATE limited liability company or any other person or persons (as hereinafter defined) that become a Manager pursuant to this Agreement.

“Member” shall mean each of the parties who shall execute a counterpart of the Operating Agreement as a Member and each of the parties who may hereafter become Additional or Substituted Members as described in the Agreement. To the extent a Manager has purchased or received an Interest in the Company, he will have all the rights of a Member with respect to such Interest, and the term “Member” as used herein shall include a Manager to the extent he has purchased or received such Interest in the Company.

“Memorandum” shall mean this Private Placement Memorandum, its Exhibit(s) and any supplements or addenda.

“Offering” shall mean the offer for sale of Units in the Company as described in this Memorandum.

“Percentage Interest” shall be the percentage interests of the Members as determined in accordance with Article 9.1 of the Agreement.

“Profits” shall mean, for each Fiscal Year, the income and gains of the Company determined in accordance with accounting principles consistently applied from year to year under the cash method of accounting and as reported, separately or in the aggregate, as appropriate, on the Company’s information tax return filed for Federal income tax purposes.

“Properties” shall mean, collectively, the four apartment complexes in STATE which the Company intends to acquire known as PROPERTY 1, PROPERTY 2 and PROPERTY 3, in CITY and PROPERTY 4 in CITY, which are more completely described in Section 2.5 herein and in the attached Property Packages, **Exhibit B**, on the attached CD ROM.

“Unit” shall mean an Interest in the Company which investors purchase, whereby they become Members and obtain a Percentage Interest in the Company. For purposes of this Offering, the minimum required investment is Ten (10) Units valued at Ten Thousand Dollars (\$10,000) each, or One Hundred Thousand Dollars (\$100,000) per investor.

“Unreturned Capital Contribution” shall mean the Capital Contribution less any Distributions made to the Members as a result of a Capital Transaction.

13. Summary of Operating Agreement

The following is only a summary of the Operating Agreement (“Agreement”), an investor considering purchasing Units offered by the Company should read the entire Agreement.

13.1. Purpose

The Manager has formed a STATE limited liability company to facilitate the acquisition, operation, and disposition of four multi-family residential properties in STATE referenced collectively herein as “Company Property” or “the Properties”.

13.2. Capitalization

Members will contribute capital to the Company through contributions of cash in return for Units of the Company. Member Capital Contributions shall be made in total when becoming a Member. Each Member that purchases Units will receive a Certificate of Ownership showing the number of Units purchased and the dollar amount of investment.

The Manager will direct the establishment and maintenance of a Capital Account for each Member.

13.3. Rights and Duties of Manager

All business and affairs of the Company shall be managed by the Manager. The Manager shall direct, manage, and control the Company to the best of its ability and shall have full and complete authority, power, and discretion to make any and all decisions and to do any and all things that the Manager shall deem to be reasonably required to accomplish the business and objectives of the Company.

The MANAGING, LLC is the Manager of the Company. The Manager shall hold office until a successor Manager shall have been elected and qualified. Successor Manager(s) need not be residents of the State of STATE but must be a Member of the Company.

13.4. Cash Distributions Made to Manager

The cash Distributions which may be made to the Manager are described in Section 3 of this Memorandum.

13.5. Rights and Obligations of Members

The Units being sold are non-voting Units, with the exception that Members shall have the right, by affirmative vote of Seventy Five Percent (75%) of the Interests, to elect a replacement Manager.

13.6. Meetings of Members

A meeting of the Members may be called at any time and for any purpose whatsoever by any of the Members. When a Member wishes to call a Meeting, he or she shall notify the Manager, who shall promptly give notice of the Meeting to the other Members. Notice shall be given at least ten (10) days and not more than ninety (90) days before the date of the meeting.

13.7. Capital Contributions and Percentage Interests

The total maximum amount of Capital Contributions from the Members, who are identified in Exhibit “A” of the Agreement, will be Nine Million Two Hundred Thousand Dollars (\$9,200,000). The Capital Contribution of the Members shall be equal to One Hundred Percent (100%) of the total capitalization of the Company. Each Unit will have a price of Ten Thousand Dollars (\$10,000). The minimum investment established for Members, is Ten (10) Units which represents One Hundred Thousand Dollars (\$100,000). The Members will own Ninety Nine Percent (99%) of the total Percentage Interests in the Company.

13.8. Manager’s Purchase of a One Percent (1%) Percentage Interest

Without regard to the minimum investment established for Members herein, the Manager has purchased One Percent (1%) of the total Percentage Interests in the Company for Ten Thousand Dollars (\$10,000). As a result, the Members, will own Ninety Nine Percent (99%) of the total Percentage Interests issued by the Company and the Manager will own One Percent (1%).

13.9. Division of Profits and Losses for Income Tax Purposes

The Profits and Losses of the Company will generally be allocated to match the manner in which the Members share in Distributions. Profits and Losses from Capital Transactions will be specially allocated to match the manner in which the Member will share in the Distributions of the proceeds from Capital Transactions.

13.10. Distributions

The Manager will make quarterly Distributions of Distributable Cash to the Members in accordance with the Distribution schedule as shown in Article 10 of the Agreement. It is anticipated that Distributions will commence no earlier than December 31, 2008.

13.10.1. Distributions during operations

The Manager is entitled to a Priority Distribution of Distributable Cash from operations in recognition of the Manager’s administrative obligations. The Manager, in its sole discretion, may defer this Distribution until a Capital Transaction occurs. In that event, Distributable Cash from Operations will first be distributed to the Members to facilitate their cumulative Nine Percent (9%) return on their Unreturned Capital Contributions. Any remaining Distributable Cash from Operations will be distributed to the Members during the first quarter of the following year.

13.10.2. Distributions from Capital Transactions

Distributable Cash from Capital Transactions will first be distributed to satisfy any unpaid or deferred Priority Distributions. Distributable Cash will then be used to return the Unreturned Capital Contributions of the Members. Finally, any excess Distributable

Cash will be distributed Twenty Five Percent (25%) to the Manager and Seventy Five Percent (75%) to the Members in accordance with their Percentage Interests. In the event the Capital Transaction is a refinancing arranged by the Manager or disposition of Company Property, the Manager has the right to a Distribution of One percent (1%) of the refinancing or disposition proceeds prior to any other Distributions of Distributable Cash.

13.11. Accounting Policies

The Company, for accounting and income tax purposes, shall operate on a Fiscal Year, which will be the calendar year, ending December 31 of each year, and shall make such income tax elections and use such methods of depreciation as shall be determined by the Manager. An outside C.P.A. firm may be instructed to maintain books and records for the Company on a cash basis in accordance with sound accounting practices to reflect all income and expenses of the Company. The books and records of the Company shall be maintained at the principal place of business of the Company. The Manager shall make the Company books and records available for inspection and copying by any Member at reasonable times during normal business hours upon at least five (5) business days prior notice. The Manager shall use its best efforts to cause the Company's tax return to be prepared and furnished to the Members prior to March 15 of each year.

13.12. Transfers

A Member may not withdraw from the Company. Transfers, or assignment of a Member's Units, however, may be allowed if performed in accordance with the procedures specified in Article 13 of the Agreement. Generally, the Agreement states that when a Member receives an acceptable offer to sell their investment Units to a third party, the other Members of the Company will have a first right of refusal on the purchase of the investment Units.

Upon the death or disability of a Member, their Interest may be passed to their heirs by means of intestate succession, a Will or a Revocable Trust. Members who obtain their Units in this manner will have all the rights of every other Member.

Where an Interest is assigned, upon the approval of the assignment by the Manager, which approval may not unreasonably withheld, the assignee will be entitled to the assignor's pro-rata share of Profits and Losses and exercise any rights of a Member.

13.13. Dissolution and Termination of Company

The Company shall be dissolved on the disposition of all or substantially all Company Property.

Upon dissolution of the Company, the assets of the Company will be distributed as described in Articles 10.2 and 17, as follows:

- **First**, to pay the creditors of the Company, including the Manager, if the Manager has Loaned money or advanced money to the Company or has deferred any priority Distributions previously due.
- **Second**, to establish any reserves against anticipated or unanticipated Company liabilities.
- **Third**, to the Members in proportion to their positive Capital Account balances.
- **Fourth**, an amount necessary to complete the return of One Hundred Percent (100%) of the Members' Unreturned Capital Contribution.
- **Fifth**, to the Manager, a Priority Distribution of Twenty Five Percent (25%) of remaining cash.
- **Sixth**, to the Members, One Hundred Percent (100%) of the remaining cash, in proportion to their respective Percentage Interests in the Company.

14. Offering Exempt from Registration

This investment is limited to "Accredited" investors as defined by SEC Rules 501 and 506; 17 CFR 230.501(a), and to certain sophisticated investors. All investors must have a preexisting business relationship with the Manager. The Offering and sale of the Units will be made without using any methods of general solicitation. An investor who desires to invest Units must complete the Offeree Questionnaire and Subscription Agreement, provided on the attached CD ROM as **Exhibit F**, and return it to the Manager. The Manager will review these documents to verify that all prospective Members have attested that they meet the Suitability Standards established by the Company.

The Interests offered have not been registered with the Securities and Exchange Commission ("SEC") nor qualified with any State securities agencies. No permits have been obtained from any governmental agency. No reports will be made to any governmental agency under any Federal or State securities laws other than registration informational reports as may be required. Other than filing Articles of Organization for the LLC, the Manager does not intend to qualify or register this investment with any governmental agency. The Manager anticipates that a court might decide that this investment is a "security" as defined by Federal or State Laws; however, even if it is a "security," this Offering is conducted under Federal and State Laws providing an exemption from registration and qualification requirements as a "private placement".

15. Integration

This Memorandum is to be distributed only by the Manager and only to individuals who represent in writing that they meet the income, net worth and Suitability Standards established for this Offering by the Manager.

This Memorandum represents the complete package of information and disclosures for the Company. Investors should not rely on any verbal information that is not set forth in writing within this document.

Dated: July 1, 2008

YOUR NEW, LLC
By its Manager

MANAGING, LLC

By: _____
YOUR NAME, Manager

List of Exhibits

EXHIBIT NO. DESCRIPTION

A Articles of Organization and Operating Agreement for YOUR NEW, LLC

B Property Packages

C Manager's Track Record

D Contracts for Sale and Purchase

E Loan Commitment Letter for CITY Properties

F Offeree Questionnaire and Subscription Agreement

Chapter 9: SEC Regulations

Regulation A

Regulation A offering is an exemption which gives small businesses the ability to go public.

Regulation A Offering is an SEC ruling that allow for simplified registration for companies with offerings of \$1,500,000 or less. It gives many small businesses the ability to go public with their business and earn capital through the selling of securities.

To qualify the SEC has set several requirements for businesses to qualify for the exemptions. Regulation A Offering exemptions are good for businesses that are legally registered with the government to do business in the United States or Canada. Companies eligible for the exemption must also not be a developmental stage company. They should have a specific business plan with no plans to merge with unidentified businesses. An investment company is also ineligible for Regulation A Offering exemptions.

Being able to sell securities is a great source of funding for any business. It is extremely important however to have additional sources for capital available as well. This could include small business bank loans, bank lines of credit, business credit cards, private investment capital, account receivables factoring, and many other options.

To help you better qualify for financing it is important to have your business in order including having a detailed business plan with information on how much capital you need and what the capital would be used for. Your chances of receiving financing will increase exponentially if you have established business credit scores already in place. These scores work similar to personal credit scores, but they are for your business. Lenders want to see positive credit history before they loan any money to your business. They want to make sure that they will get paid back for their loan.

Regulation D

Under the Securities Act of 1933, any offer to sell securities must either be registered with the SEC or meet an exemption. Regulation D (or Reg D) contains three rules providing exemptions from the registration requirements, allowing some companies to offer and sell their securities without having to register the securities with the SEC. For more information about these exemptions, read our publications on Rules 504, 505, and 506 of Regulation D.

While companies using a Reg D (17 CFR § 230.501 et seq.) exemption do not have to register their securities and usually do not have to file reports with the SEC, they must file what's known as a "Form D" after they first sell their securities. Form D is a brief notice that includes the names and addresses of the company's executive officers and stock promoters, but contains little other information about the company.

In February 2008, the SEC adopted amendments to Form D, requiring that electronic filing of Form D be phased in during the period September 15, 2008 to March 16, 2009. Although as amended, the electronic Form D requires much of the same information as the paper Form D, the amended Form D requires disclosure of the date of first sale in the offering. Previously, disclosure of the first date of sale was not required. The Office of Small Business Policy has posted information on its web page about the filing requirements for the new Form D.

Rule 504 of Regulation D

Rule 504 of Regulation D provides an exemption from the registration requirements of the federal securities laws for some companies when they offer and sell up to \$1,000,000 of their securities in any 12-month period.

A company can use this exemption so long as it is not a blank check company and does not have to file reports under the Securities Exchange Act of 1934. Also, the exemption generally does not allow companies to solicit or advertise their securities to the public, and purchasers receive "restricted" securities, meaning that they may not sell the securities without registration or an applicable exemption.

Rule 504 does allow companies to sell securities that are not restricted, if one of the following circumstances is met:

The company registers the offering exclusively in one or more states that require a publicly filed registration statement and delivery of a substantive disclosure document to investors;

A company registers and sells the offering in a state that requires registration and disclosure delivery and also sells in a state without those requirements, so long as the company delivers the disclosure documents required by the state where the company registered the offering to all purchasers (including those in the state that has no such requirements); or

The company sells exclusively according to state law exemptions that permit general solicitation and advertising, so long as the company sells only to "accredited investors."

Even if a company makes a private sale where there are no specific disclosure delivery requirements, a company should take care to provide sufficient information to investors to avoid violating the antifraud provisions of the securities laws. This means that any information a company provides to investors must be free from false or misleading statements. Similarly, a company should not exclude any information if the omission makes what is provided to investors false or misleading.

While companies using the Rule 504 exemption do not have to register their securities and usually do not have to file reports with the SEC, they must file what is known as a "Form D" after they first sell their securities. Form D is a brief notice that includes the names and addresses of the company's owners and stock promoters, but contains little other information about the company.

In February 2008, the SEC adopted amendments to Form D, requiring that electronic filing of Form D be phased in during the period September 15, 2008 to March 16, 2009. Although as amended, the electronic Form D requires much of the same information as the paper Form D, the amended Form D requires disclosure of the date of first sale in the offering. Previously, the first date of sale was not required.

Rule 505 of Regulation D

- a. *Exemption.* Offers and sales of securities that satisfy the conditions in paragraph (b) of this section by an issuer that is not an investment company shall be exempt from the provisions of section 5 of the Act under section 3(b) of the Act.
- b. *Conditions to be met*
 1. *General conditions.* To qualify for exemption under this section, offers and sales must satisfy the terms and conditions of Rule 501 and Rule 502.
 2. *Specific conditions*
 - i. *Limitation on aggregate offering price.* The aggregate offering price for an offering of securities under this Rule 505, as defined in Rule 501(c), shall not exceed \$5,000,000, less the aggregate offering price for all securities sold within the twelve months before the start of and during the offering of securities under this Rule 505 in reliance on any exemption under section 3(b) of the Act or in violation of section 5(a) of the Act.

Note: The calculation of the aggregate offering price is illustrated as follows:

Example 1. If an issuer sold \$2,000,000 of its securities on June 1, 1982 under this Rule 505 and an additional \$1,000,000 on September 1, 1982, the issuer would be permitted to sell only \$2,000,000 more under this Rule 505 until June 1, 1983. Until that date the issuer must count both prior sales towards the \$5,000,000 limit. However, if the issuer made its third sale on June 1, 1983, the issuer could then sell \$4,000,000 of its securities because the June 1, 1982 sale would not be within the preceding twelve months.

Example 2. If an issuer sold \$500,000 of its securities on June 1, 1982 under Rule 504 and an additional \$4,500,000 on December 1, 1982 under this Rule 505, then the issuer could not sell any of its

securities under this Rule 505 until June 1, 1983. At that time it could sell an additional \$500,000 of its securities.

- ii. *Limitation on number of purchasers.* There are no more than or the issuer reasonably believes that there are no more than 35 purchasers of securities from the issuer in any offering under this section.

Note: See Rule 501(e) for the calculation of the number of purchasers and Rule 502 (a) for what may or may not constitute an offering under this section.

- iii. *Disqualifications.* No exemption under this section shall be available for the securities of any issuer described in Rule 262 of Regulation A, except that for purposes of this section only:
 - A. The term "filing of the offering statement required by Rule 252" as used in Rule 262(a), (b) and (c) shall mean the first sale of securities under this section;
 - B. The term "underwriter" as used in Rule 262 (b) and (c) shall mean a person that has been or will be paid directly or indirectly remuneration for solicitation of purchasers in connection with sales of securities under this section; and
 - C. Paragraph (b) (2) (iii) of this Rule 505 shall not apply to any issuer if the Commission determines, upon a showing of good cause, that it is not necessary under the circumstances that the exemption be denied. Any such determination shall be without prejudice to any other action by the Commission in any other proceeding or matter with respect to the issuer or any other person.

Rule 506 of Regulation D

a. *Exemption.* Offers and sales of securities by an issuer that satisfy the conditions in paragraph (b) of this Rule 506 shall be deemed to be transactions not involving any public offering within the meaning of section 4 (2) of the Act.

b. *Conditions to be met-*

1. *General conditions.* To qualify for an exemption under this section, offers and sales must satisfy all the terms and conditions of Rule 501 and Rule 502.

2. *Specific Conditions-*

i. *Limitation on number of purchasers.* There are no more than or the issuer reasonably believes that there are no more than 35 purchasers of securities from the issuer in any offering under this section.

Note: See Rule 501(e) for the calculation of the number of purchasers and Rule 502(a) for what may or may not constitute an offering under this Rule 506.

ii. *Nature of purchasers.* Each purchaser who is not an accredited investor either alone or with his purchaser representative(s) has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment, or the issuer reasonably believes immediately prior to making any sale that such purchaser comes within this description.

Accredited Investors

Under the Securities Act of 1933, a company that offers or sells its securities must register the securities with the SEC or find an exemption from the registration requirements. The Act provides companies with a number of exemptions. For some of the exemptions, such as rules 505 and 506 of Regulation D, a company may sell its securities to what are known as "accredited investors."

The federal securities laws define the term accredited investor in Rule 501 of Regulation D as:

1. a bank, insurance company, registered investment company, business development company, or small business investment company;
2. an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of \$5 million;
3. a charitable organization, corporation, or partnership with assets exceeding \$5 million;
4. a director, executive officer, or general partner of the company selling the securities;
5. a business in which all the equity owners are accredited investors;
6. a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds \$1 million at the time of the purchase;
7. a natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year; or
8. a trust with assets in excess of \$5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

<http://www.sec.gov/answers/accred.htm>

GLOSSARY

Acquisition Costs: The purchase price after closing costs.

Affidavit: A written statement signed and sworn to by the tenant in front of a legally authorized person such as a notary public.

Annual Operating Income: (# of units x rent of each) x 12

Annual Property Operating Data: (APOD): You can get this from your listing agent. It displays the income and expenses of the property. Capitalization Rate - NOI divided by purchase price. 8% or better is a good deal.

Capitalization Rate: NOI divided by purchase price. 8% or better is a good deal.

Cash-on-Cash: (Return on Investment) Subtract your debt service from your NOI. How much money you put down vs. what you get in return.

Debt Service: Your mortgage payment.

Equity Rate of Return: (Annual cash flow + annual equity bill) divided by your total initial investment.

Experience: What you get when you didn't get what you wanted.

Fixed Expenses: Costs that will not change, such as property tax, insurance costs, interest and mortgage payments.

Leverage: Using other people's money; also creative financing.

Liability Insurance: Intended to protect you against claims that you or someone else's negligence caused bodily injury or property damage. Go for the maximum amount of coverage.

Market Value: The value of the property after renovations.

Net Operating Income (NOI): Income before you pay your mortgage payment and other expenses. $10x$ = approximate value of property.

Pro-rations: Use current rental amount.

Short Cap Rate: NOI divided by the purchase price (acquisition cost). Look for a double-digit cap rate such as 10% (typically a good buy).

Vacancy and Collection: Call realtors that manage properties in the area you are looking to buy. Ask them to tell you the vacancy/collection rates for that area.

Variable Expenses: Costs that are able to change such as repairs.