

EPISODE 317

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.1] WS: This is your daily Real Estate Syndication show. I'm your host Whitney Sewell. Today, our guest is Mauricio Rauld. Thanks for being on the show again Mauricio.

[0:00:31.8] MR: Thanks for having me back, been really enjoying this series.

[0:00:35.2] WS: No, I'm always honored to have you on the show. You know, I've seen you all over the place, you know? Social media, you're helping so many people in this industry and really just putting out things we need to hear or things we need to know and you know, in case the listeners, you know, you probably heard Mauricio and if you haven't, you need to go back and listen to a few shows. WS194 and WS262 or a couple.

We may even have more than that, I can't remember now. Just some key things that Mauricio is really bringing to light that us in this industry, you know, as operators need to know is a very important. But a little about him, he's the founder and CEO of Premier Law Group, an internationally recognized securities firm that spends 100% of their practice on syndication for real estate investors. He regularly travels around the country speaking to real estate investors and entrepreneurs, educating them about the syndication legal piece.

How it fits into overall syndication puzzle. He's known for taking complex matters and making them easy to understand and is jokingly referred to as one of the few lawyers who actually

speaks English. That's funny. He's sharing the stage with people like Robert Kiyosaki, Ken McElroy, Peter Schiff, Brad Sumrok and of course, The Real Estate Guys. He knows all these big players in the industry is working with them, he's been in this business a long time and I'm always honored to have you on the show, Mauricio, and just to share your expertise with me and with the listeners.

You know, today, Mauricio and I were talking about some key topics that are really hot in this industry right now and some things that people are struggling with and one thing we want to talk about and discuss in depth is how to work with international investors. I've had that questioned numerous times to me and I've had people say, why don't you – next time you get Mauricio or somebody like that on, I'd love to know more about this and you know, here we are.

International investors and you know, why that's important, why we want to make sure we're doing it legally.

Mauricio, get us started, I know there's some major considerations that we need to be thinking about and I know I'm going to have lots of questions along the way but you know, let's just dive in.

[0:02:34.2] MR: Yeah, a lot of clients, the international thing comes into play not all the time but quite a few times and there's always the same kind of concerns and not concerns but things you really have to think about, right? Again, just remember, it's not your job to know every single statute out there and every single law, whatever.

That's what your attorney's for, it's really your job, mostly just sort of identify and say hey, wait a minute, that may be an issue, let me pick up the phone and call my attorney and maybe your attorney doesn't even specialize in that area but then they can refer you to somebody else but again, your job is to identify these issues, that's really what I'm going to try and go through today is just identifying some things.

I think just in really broad strokes, the first thing you've got to recognize is that most countries, they're not – may not necessarily be as robust. Most countries have their own securities laws. Whenever you're dealing with international investors, you just got to be cognizant of that.

I obviously am not an expert in the securities laws of other countries. I'm a US attorney obviously. Some countries like Canada, a very developed securities laws and they're kind of similar to ours but you've got considerations. I'm guessing if you go to Afghanistan, they probably don't have as robust securities law. Just keep that in mind.

Especially if you're traveling. Most likely, if you're doing it here in the US and you're staying in the US and somebody just happens to somehow, maybe they're listening to your podcast from other country and they somehow connect with you. That may be fine but if you're travelling abroad, you know, maybe down to Mexico or if you're from another country and you travel to your own country and do a presentation and try and raise funds from international folks. Just keep that in mind.

You want to make sure you're complying with this securities laws of that countries. That's kind of step one.

[0:04:08.3] WS: You know, that's an aspect of this I haven't even thought of honestly. If I am in another country, Canada or Spain or Mexico or wherever. Yeah, I'm doing that presentation that I need to understand what the regulation is in that country. I mean, the last thing you want to do is get in trouble while you're abroad, right?

[0:04:24.7] MR: I don't know, I guess if you're in the US, Canada's got some really robust, I think Mexico's pretty good but you know, I lived in – as you guys know, I lived in Belize for a couple of years and their securities laws are pretty poultry and just a fact. Just keep that in mind, just make sure – By the way, same goes for the – we'll talk a little bit about this in one of my things to consider is on the tax side.

Always keep that in mind too when you're dealing with international investors, just think about the tax and make sure you talk to a tax professional in that particular country because I have no – very little knowledge on – I know enough knowledge to be dangerous by US tax law and obviously a tax professional but certainly have no clue about Mexican tax law or Canadian tax laws.

Anyway, that's kind of point number one. The main thing I think you want to remember, keep in mind is – I say this not really jokingly, it really is true. When you accept money from an international investor, somebody who is overseas, physically overseas and let's go with an example. Let's say you've got an investor in England, figure that out. You have an investor in England.

Somehow contacts you, they want to wire over \$100,000 and they want to invest in your project. The first thing you got to realize is that you really do become an agent of the IRS. That is because you have a requirement, a legal requirement to withhold 30% of whatever money goes back to England, your responsibility is to withhold that 30% and send it on along with some forms to the treasury department.

I'm not well versed in the technicalities and what forms they are and how that mechanics works, definitely check with your CPA but it's really important to be working with a CPA who understands international transactions because that is a requirement of yours and if you think about it, the reason that that is there is the international investor is going to owe taxes in the US most likely based on whatever profits they generate here in the US.

But they have zero incentives to come over and file a tax return at the end of the year and pay their taxes, right? What this does, it forces the investor to actually – if they want to get some of that money back to file their tax return here in the US. It's not a 30% tax, it's a 30% withholding just like any withholding. It may be that the investor owes less than 30% but they have to come in, file the tax returns, you get that refund. Obviously if they own more, they're probably not going to have any tax or anything.

But the key thing to remember is that you are going to be legally responsible, if you don't withhold that money, they don't file a tax return, they don't pay their taxes, you are technically on the hook for that so it's really important to be checking in with your CPA, let the CPA know that this is what you've done and hopefully they understand what to do and if not, I recommend you either consulting with somebody who has experience in cross border taxation or maybe switch your CPA if your CPA isn't up to speed on that.

[0:07:00.0] WS: If that investor doesn't pay that tax, we're on the hook for that. I just wanted to say that again.

[0:07:05.3] MR: Correct. It makes sense, right? Why if I'm a Mexican investor and you know, I got my money and I don't travel to the US, I really have no connections to the US, why would I bother filing a tax return and handing over 20, whatever the rate, the amount is, the tax that I got to pay. That's kind of point number one, if you have any questions with that but that's probably the main thing and again, I just want you guys to recognize that point, you don't have to memorize it, you don't have to understand the logistic, just understand that when you do have an international investor, you're talking to your CPA and you're letting them know, hey, I've got international investor.

[0:07:36.7] WS: Sounds like a lot more work on that CPA as well, a bigger expense there probably for us as the operator.

[0:07:42.4] MR: Yes. One of the things you might be able to do and again, you want to check with your CPA because again, I get different answers on this but one thing you might be able to do is set up, again, easier said than done, but have the foreign investor setup a US LLC, fund the US LLC and invest through that LLC.

That happens and obviously your investor is US LLC which simply issue the US LLC at K1, you would wire the money into the bank account of the LLC and then it's up to the international guy to figure out how to get it back to their country, maybe they don't want to, maybe they have other Investments in the US and they want to keep it in the US. That's another thing you may want to consider talking to your CPA about, see if that's one way, I want to say around it but again, using those words, it seems like it's nefarious and it's not, it's just one additional thing to discuss with your CPA.

[0:08:34.3] WS: That's something that I wanted to ask you anyway because I've heard other people doing that. It's like, instead of us really dealing with the international piece, that person's setting up the LLC, you know, US entity. That entity invests in our deal just like in the other LP or passive investor would, you know, just like if I had an entity here that I'm investing with you Mauricio, you know, no different, right?

They have a US entity as an international investor, they're investing in our deal and then we communicate and correspond with that US entity.

[0:09:03.3] MR: Yes.

[0:09:03.8] WS: That's our, are we then protected from having to pay that tax if they don't – you know, if they take that money then –

[0:09:08.1] MR: Yeah, number one, yes, that makes your life way easier and so you're kind of shifting the burden away from you and onto your investor because the challenge for the investors, especially these days, again, I'm not a banking expert by any means, but you know, my experience has been if the bankers these days want to see you face to face.

Especially the larger bank. If you want to open a bank account at Bank of America, I had this issue when I was setting up entities in Wyoming, when I was doing asset protection and we wanted to setup a Wyoming bank account. When I started doing it, we could do it – first of all, in the old days, you could literally do it remotely, you would overnight the docs to Wyoming and you would just fill out the form, sign them and everything got handled via the mail. Great.

Then, you know, after 9/11, a little bit stricter and it became, if they have to kind of see you face to face, the way we were kind of getting around that is we were using actually Wells Fargo is only the major bank in Wyoming. You would have to go to a local Wells Fargo branch, show your ID, prove that you're a real person, that you're not a terrorist. And then the local branch will communicate that to the Wyoming branch and say hey, would you stop by, he showed me his ID, he's all good.

That kind of is a little bit of an extra step. Now, if you steal. Then it got to the point, now the banker has to see you face to face. Logistically, that may be an issue if you got to force your international investor to fly to the US, right, to meet with the banker and open the bank account person. It also is a little bit more of a hassle to get an EIN for the LLC because the EIN, typically when you and I setup an EIN or apply for an EIN we simply use our, EIN is employer

identification number, it's kind of the social security number for the LLC that you need to open a bank account for the LLC.

Well, if you're international investor, you don't have a social security number obviously. You need to have a tax payer ID number and they probably don't have that so they've got to apply for taxes. It's just all this additional burdens. Yes, you can do that, you're essentially shifting the burden from you and all the compliance and stuff you have to deal with and you're putting it on the investor. But just keep in mind, the more hoops you give your investor, the more likely it might be the investor might just say you know what? Forget it.

[0:11:10.4] WS: Right.

[0:11:11.4] MR: Also, by the way, this wasn't one of the things I was thinking of talking about that came up the other day too and where did I hear this? I heard this, I can't remember if this was the mastermind that was there last weekend or somewhere but somebody was telling the story. Again, any time you're dealing with international wires from international investors or anywhere internationally, there's a chance that they put a hold on it.

You know, they're so concerned these days about anti money laundering statutes by the second. You know, terrorist and you know, all the stuff that it's not uncommon, I'm not going to say it's normal but it's not uncommon for them to either put a freeze on it and you may be two weeks where the funds are frozen or they may even disappear because again, I'm absolutely not super versed in this but I do understand, there are some departments, federal departments that are kind of monitoring these things and I'll go in and grab the money and take it out and keep it and then do their due diligence.

It might take them two weeks to do it. I've seen horror stories where monies are completely blocked, you're trying to make a paid invoice and they just don't allow the money to come through. There's all these things that you just – you got to think about when you're dealing with international monies and if it's a large amount, I think this particular story that is really a horror story I was listening to.

I think there's like a five-million-dollar wire, it was a significant amount and the recommendation was you know, if you're going to have a significant amount like that, you may want to pop in to the bank and talk to a personal banker and say look guys, I'm going to bring in, I've got five million dollars coming in, FYI.

Is there anything you need for me to make sure that you know, it's all good and one of the documentations you need, this is where it's coming from, you don't have that issue because if you're trying to close on Monday and they put a hold on a significant – I'm assuming it's got to be a significant amount of money if it's coming from international. Usually those guys don't invest 50 grand. You may want to pop in to the bank and discuss that with the bank and just give them the heads up and find out, every bank's different so find out what their process is, what documentations they want to see so that the transaction is as smooth as possible.

[0:13:03.1] WS: It sounds like we need to be building this relationship with this international investor. It would be nice if they had that entity already established and the funds already transferred but long before we had that deal.

[0:13:13.7] MR: Absolutely. That is one of the advantage and again, it is just yes, if you have a long term relationship then yes and maybe if it is a really great relationship, maybe it does make sense for the international investor to come visit a property, maybe come meet you in person and that way when they are here, you know they can set up the bank account and take care of everything and that they are fully can wire the money ahead of time so this doesn't become an issue because once the money is clearly and in the bank account, then the LLC, the international LLC's name. It is a US LLC that is owned by the international person, then it is just a normal transaction.

[0:13:42.7] WS: Okay, all right. So another consideration, what else should we be thinking about?

[0:13:47.9] MR: The other consideration, which I eluded to and I don't think it is a huge – maybe I will put my foot in my mouth and say this, I don't think it is a huge consideration but there is a consideration of the money laundering, right? As you guys know especially these days that they

are very, they use the money laundering statute but it really has to do with terrorists and you want to make sure that this money coming in is not from some terrorist organization.

Or it has been laundered through some companies and now they are trying to bring it onto the US and stuff. My personal thought, I am going to stick with personal thought because I certainly haven't done a huge deep dive in but I think if you go to the traditional means of a banking system, the banking system will handle that for you. They are not going to take any money from people without doing their "know thy customer", running the money laundering stuff and making sure that is clean.

So I think if it goes through a bank and a clearing house and everything they are going to do their due diligence, I wouldn't be too concerned. Again, I am probably going to bite myself in the butt here but you know these days there are other creative ways that people are accepting money and so if you are taking money for example via cryptocurrency. I am just making this up but some other way that you're trying to bypass the banking system.

Maybe through PayPal transaction, I don't know if you could do PayPal for 50 or a 100 grand but you know just something that bypasses that compliance portion then I think that is a concern that you again, you have to know the rules. Just think of that as a potential issue and let us find an attorney or somebody who specializes in the anti-money laundering statutes and rules and make sure you're complying and doing whatever it is that you need to do whatever your obligations are to make sure that the money that's coming in is clean. So that's is just one other thing you need to keep in the back of your mind.

[0:15:22.7] WS: I've heard that people worry about that. You know, where is this money coming from? Are we participating in something here that's illegal, you know?

[0:15:31.1] MR: Yeah, I mean maybe I am starting my own little interview thing and maybe I will bring somebody on that specializes in anti-money laundering. Maybe it is a bank or something just to make sure that we get some clarity but again, I think if you are going through a traditional bank, I haven't heard any other issues. It's not to say there aren't any but I think you're fine. It is when you start going through this peer to peer ways of doing or cryptocurrencies or Blockchain.

Where you are bypassing everything that it could be an issue. The other main thing and this really does become an issue because it can apply to any country and again, I don't know the tax laws or the corporate laws of every country. In fact, I don't know basically of any country but Canada has this issue. So this comes up quite a bit when you are dealing with international investors, a lot of times Canada is probably the most commonly used international investor part.

And one of the things you'd better be careful about is just ensuring that the country where the money is coming from recognizes your entity formation. So in this case an LLC that will be too fancy to start. You are creating an LLC for your syndication. Everybody is coming into your LLC, great. Your LLC here in the US is a pass through, it is a partnership that's fine but in Canada for example, they don't have LLCs. They don't recognize LLCs they don't know what an LLC is.

And I know there is other countries in the same boat but specifically in Canada because they don't have an LLC, if you don't do anything they are going to treat that as a corporation by default. They are going to default that to a corporation, which means that they are going to get double taxed and so I've had this scenario with clients where this hasn't been discussed and nobody talks about it. Nobody knows about it and suddenly at the end of the year, the Canadian investor realized they just got double taxed.

Their tax is so huge that it basically erodes if not all a significant portion of their return and so they are not happy campers. So they are picking up the phone, wherever and in this particular case I think the sponsors simply bought them out and it was no big deal but just keep that in mind. Whenever you have Canadian investors, you want to make sure that the Canadian investor is talking or has a Canadian CPA. I am always happy to talk and communicate with the CPA in Canada for my clients.

And just make sure that we are structuring it properly. Back in the day, I am starting to sound old these days, back in day it used to be that the only way you could get around that was for the Canadian investor to set up what is called an LLLP, a limited liability limited partnership. It is very specific and back in the day there was I think only nine or 10 states that had one, Arizona being one of them. So the Canadian investor kind of what we just talked about, they would actually come to the US or call somebody in the US, set up an LLLP, put the money into the LLLP and then the investment would be from that LLLP.

So that now you distribute the money from your LLC to this LLLP and now that is recognizing Canada and you avoided double taxation. These days, I've got a couple of clients who are actually are Canadian and they have been telling me through CPA that now you can actually do just a traditional LP. So a lot of times, if we are expecting a lot of Canadian investors instead of setting up an LLC for our own syndication, we'll set it up as a limited partnership just so we could accommodate the Canadian investors.

So again, you don't have to worry about the intricacies and the detail it is just anytime you have especially Canadians or other countries just think about that and I would just recommend simply, "Hey who is your CPA in Canada, in England, in Afghanistan, in Brazil? Wherever, let me communicate with them and say, 'Hey look, this is what is happening. Is that okay or do we need to structure something, somewhere differently to maximize?'" Not even maximize their tax it is just to avoid double taxation or what have you.

[0:18:59.0] WS: It is really getting our experts to talk to their experts so you can all figure this out, yeah.

[0:19:03.8] MR: Yes, exactly. Typically, I assume all the other lawyers, I mean it is a quick conversation with just an email. So I typically just like to have, "Hey can you just make an email introduction" and then I will email them and say "Hey, this is what we are doing, is that okay? Do we need to set up differently for your guy or gal?" And that is the way we handle it.

[0:19:19.4] WS: You know one question I thought of though because you had talked right away the first thing is for travelling abroad and thinking about the securities walls in other countries and what about doing a virtual presentation to investors in England like you used for example or in other countries? What if I am in the US but doing a virtual presentation or even something like on this podcast or however, I am promoting whatever. What should I be thinking about there?

[0:19:46.8] MR: I think that does again, if you are doing a webinar. Actually I hadn't thought of that. It hasn't come up in my practice yet, but I do have clients who are from the US that went back to England. Let us say that you are from England and you got a big group of people in England. One option is when you go back to visit your family you put together a little

presentation and you make that pitch that's fine, but I think it doesn't change much if you do a webinar presentation just for your British folks.

I think that at least in the US it would be considered doing marketing and not sales at that point but you are marketing into the US even though you are doing it from outside and again, you'd have to check the local laws but if it was reversed, if it was the US if you had a British syndication and they were doing a webinar here in the US, the US would definitely consider that that you are marketing in the US and therefore you would have to follow the US rules.

So I would be definitely again aware of that and just make sure that if you are going to go to that extreme, you know not extreme but if you are going to go to that level of doing a presentation specifically for a national investor in a particular country, you would probably do want to have connect with the securities lawyer and just make sure that you are not violating laws and again, I don't want to get into the so what kind of things.

But at some point if you are doing it in a country that you have never plan to visit and never go to, you know maybe it is not an issue but if you are from England and you plan and go visit every so often, you certainly don't want to have some of your regulatory disciplinary action or some judgment against you in that country for something you did remotely.

[0:21:05.9] WS: That would be a rude awakening when you for that first day of vacation you know?

[0:21:09.9] MR: Right.

[0:21:10.6] WS: So any other considerations before we have to go Mauricio that we need to be thinking about when dealing with international investors?

[0:21:16.0] MR: The other one that we are just going to talk briefly, because this is kind of complete, but I want you guys to be aware of it. If you are raising money exclusively offshore. So this is not a scenario where you are doing a US one and you got a couple of international, you are saying, "Hey look, I've got a huge group of people and I've had this like in Asia" right? Like I got a lot of contacts in Asia, I want to do an equity raise only for the people in Asia.

And I go out there and I only market to the Asian or any kind of this international, if I only market internationally, I only sell to people who are international investors who are physically in foreign soil and I take reasonable steps or really take steps to make sure that that offering does not get marketed in the US or can't get access in the US. It is completely offshore, right? Then there is actually a separate exemption that we can rely on, which is Regulation S as in Sam. RegS.

We're used to the RegD, we're used to the RegA. So there is another exemption called RegS, which only deals with these international offerings because remember the SCC really doesn't care about international investors. They are here to protect the US person and US citizens, US residents, anybody in the US especially if you physically fly to England and you do a presentation in England and you have complete your raise over there and you come back with a bunch of checks or wire transfers.

And so you have not marketed in the US then you are going to be most likely be able to rely on this RegS exemption but again, you are going to have to then worry about the British securities laws but at least in the US which are viewed afterwards that. So keep that in mind if you are doing a raise with only international people who are physically outside of the US and there is no marketing for sales efforts in the US. There is that exemption you can rely on.

[0:22:50.3] WS: Nice, okay Mauricio, you know we're going to be out of time now but Mauricio tell us before we have to go, I know we have you on numerous times but I still like to hear how do you like to give back?

[0:23:00.2] MR: You know what? It would be a huge thing for me, I just started and I may have had it last time but I saw it on a YouTube channel where I am starting to add a lot of videos. It is just started as fresh off of things about eight videos but actually it is more on international investing. So if you don't mind heading over there I would really love a subscribe. Like I said, it just got off the bat but I think there is a lot of value there.

So that is a good way to connect with me and that's where I am focusing on right now. So I really appreciate it if you guys did that and again, there is a ton of videos that I think they will get a ton of value out of.

[0:23:25.8] WS: Awesome, we will try to have a link to that YouTube channel in the show notes as well Mauricio and any other way that listeners could connect with you?

[0:23:33.1] MR: Yeah, you can always reach me on, just email the team. It is team@premierlawgroup.net and either me or my system will get back to you and I am happy to schedule a call to anyone and answer any of these questions.

[END OF INTERVIEW]

[0:23:46.6] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

[0:24:26.9] ANNOUNCER: Thank you for listening to The Real Estate Syndication Show, brought to you by Lifebridge Capital. Lifebridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Lifebridge Capital, making a difference one investor and one child at a time. Connect online at www.LifeBridgeCapital.com for free material and videos to further your success.

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