

EPISODE 1029**[INTRODUCTION]**

0:00:00.0 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.

00:00:24.000

Whitney Sewell: This is your daily real estate syndication show. So many ways people get into the syndication business by learning to raise capital, we hear that term often. Raising capital or capital raising, there's even some negative stigma behind that at times, but I'll tell you what, there's some great things behind being able to do that and do that well, and the biggest thing is understanding your investors, understanding how to add value to them, but then also ensuring you're doing the best by your investors, whether it's finding the right deals, providing the best returns possible, and is honoring them and their commitment to partnering with you, and so raising capital, there's so many techniques, there's so many different things to know about doing that and doing it well, it is more than a full-time business, it is that part of the syndication business.

So, I want you to listen to these highlights today and learn from these experts.

[INTERVIEW 1]**0:01:15.6**

WS: Our guest is Salvatore Buscemi. Thanks for being on the show, Sal.

0:01:18.0

Salvatore Buscemi: How are you, Whitney?

0:01:21.0

WS: Doing great, doing great. Thanks again, Sal

0:01:23.0

SB: You got it.

0:01:23.9

WS: So, many of the listeners are learning to raise capital or they're just starting to scratch the surface, and I know you're the expert to tell us how to really get into that side of the business, you get us started in just how we find investors starting out or is how do we get started on the capital raising side of the business?

0:01:38.9

SB: I'll tell you, when I was first starting out, I was doing smaller deals, smaller, what we call special situation, see smaller distress deals where, yes, I actually bought some multifamily and distress, I would always look for investors that have already have experienced in the asset class, the problem is, if you start going to like someone who is an accountant and he doesn't even know what real estate partnership investing is, or Kos, he's gonna ask his financial advisor, who's really a glorified stock salesman, and he's gonna say, "No, you can't do that, that's illegal. You wanna stick your money in the market 'cause it's safer." Well, they're doing that because they're being padded with fees, what are the hacks I'll share with you in the audience that worked out really well. I went towards and I would target accountants, and I would target accountants that did real estate partnership returns, we call him form K-1, and they knew me and I would always sort of like that in and doing them... But I met him at Starbucks or something like that. They're really not a really fun bunch of people to hang out with, you're not gonna go to strip clubs or anything with these guys, but they're very solid and they're also very worried about their bottom line. Okay, and one of the things about accountants is that if they trust you, then you can link your brand to their credibility, you're gonna do very, very well as far as their audience is concerned, so there's male that people get in... It goes into trash, but one of the things that doesn't go into trash are official forms from your accountant that says, "Hey, this is your tax information, be careful, open it." And what I would do is I would just put a letter in there, I would put one of my investor letters, but it would be much more watered down when the call of action is saying, If you're interested in learning more about this... Let me know, I'd send them a copy of my book. But if you don't have a book, that's fine, but really sending them to a website where they could learn some more information about it, and there you're working with people who already understand real estate, they're addicted to the returns, and you don't have to worry about holding their hand and jumping through all sorts of grenades with the wives and the spouse and the financial advisor, which will say no to anything because you're just pulling money out of his pocket, and I was able to cultivate probably about \$5 million in equity from that one deal, it took me over two months to do it, but considering you're working with retail investors and not institutional investors, that's sort of like the land speed record for raising that much money, and the way we structured it was using assistant I'm talking about.

But, you wanna go to these accountants, and the value proposition to them, when I went to them, I said, Hey, I'll pay for the postage for all your K-1 returns. And they're like, fine, sure.

We'll put anything in there you want. And that is the game, and so it only costs 400. I think I did maybe another slug with another guy, but I don't think I had more than 1000 in postage for this, and I just said Here, just send me the bill and I'll pay for it, or send me... I'll make sure it's taken care of, or you just hand them the cash or something. And they love it because that's money in their pocket But you're giving them a service to and it makes them look better because it looks as though that they're more than just the tax preparer, they're more focused on them and expanding sort of the offerings that they do for sophisticated investments that most people would not be able to get into on their own, and that's really what a lot of people are looking for today in these very low interest rate environment.

0:04:56.4

WS: That's really going above and beyond. I haven't heard anyone say anything like that, getting with the accountant and offering to pay for postage, so you can put something in there in that envelope.

0:05:05.0

SB: Yes, it's a genius idea. I'll tell you, you'll be hard-pressed, unless you're a convicted criminal two months out of prison where an accountant is gonna say no to you because their margins are not that great anyway, and they wanna keep as much as they can. And if you can continue to do it where you do it on an annual basis, the more you get in front of these people, the more you're gonna have, the more fun you're gonna have and the more capital you're gonna raise.

0:05:26.0

WS: So, what are some other ways possible to find investors when starting out, maybe we don't have that connection with the accountant. What are some other tips?

0:05:30.0

SB: It's really interesting, one of the other tricks that I've used in the past has been working with people who have been single-family home flippers, and for the smaller investors, they get burned out, they just do. They get into it, they like it, they understand it, but the problem is, they still have to go out there and deal with the GPS and deal with the crooks and all of that stuff, and when you start working that way, you start attracting money from people. Now, a lot of these guys, they don't understand commercials or you're gonna have... And we're commercially focused, so you're gonna have to do a little hand-holding with that. The other thing that we've done, which is interesting, and I'm actually getting on a flight tomorrow to go somewhere is... And it's gonna take a little initiative, but what you wanna do is you wanna find a good self-directed IRA custodian, and there's many of them out there, I'm not gonna mention any names, but you wanna find out if you can market to them by doing some sort of a webinar,

we actually had one of my students do that, he was able to raise about \$2 million in just about a weekend. And we actually have a success story with that Dominique.

So it takes a little more going into it. I like to go to the top of the pyramid rather than trying to like friend people, and the other one to are just basically very wealthy business owners out here, and I'll tell you a little story in Vegas where we are, medical marijuana is legal, but collecting the cash on it, and the federal level is not legal, and so these guys are very, very cash-rich. And if you show them what to do with that cash, then they'll be with you forever, and that is a little trick that I'll talk about at the capital formation intensive, but real estate is actually very friendly for cash, whereas other investments are because you have to fill out all these forms where it's like, Know your client and anti-money laundering provisions and all that kind of stuff.

0:07:11.4

WS: Alright, so we've met some investors or we've taken one of these steps that you've laid out here, and now we have some people in our network... What's next?

0:07:17.0

SB: Yeah, the next step is that you want to indoctrinate them, and that's the whole point, not everybody has a book, I just usually send them a copy of the book. I write a letter and the letter, even though you don't have any experience or not, it should be something curated about why you like the investment class, why you are attracted to it, why your investors should be attracted to it, and how they would be able to partner with you on these deals and the types of returns and arrange that they can expect.

So the first thing people do is they show it with four pounds of paper when they need an investor, and that turns somebody off. What you wanna do is you wanna build the relationship and you wanna make sure they understand who you are. You're probably a good guy. They know you're from... Do they know you from the church, it doesn't matter, you wanna make sure you continue to build that relationship, having that commonality is just a hook, but it's by no means the closer, if that makes sense.

So, you have to make sure that you're out there and you're talking to these people. Sending them articles, you would send your friends on Facebook, keep your LinkedIn profile clean from the knuckle trackers and the toothless and homeless and the mouth freezers, you wanna have just professionals in there and start using that because that kind of stuff goes viral. And you really wanna make sure that you're talking to people and you keep a very consistent voice, whether it's like, Hey, we like cash flow from multifamily because millennials are over-leveraged

and they're not gonna buy a house or something, stick with a message, but stick with it that's revolving around the asset class that you're looking to raise money for.

0:08:39.0

WS: Nice. And so even keeping a clean LinkedIn profile, that makes a difference.

0:08:42.0

SB: It makes a huge difference because people will judge you by who you associate with, it's amazing, there's so many people who actually come through and they're like, Well, I have 4,000 connections on LinkedIn, but they're all crap, these are all people who have no money. So you gotta think of your LinkedIn as being like your Sundays church close. That's the way I would preface it. Whereas Facebook is like, you're drinking buddies, you don't wanna LinkedIn with your drinking buddies, I use that for professional purposes, and I'm very... Very choosy about who I let into my LinkedIn profile.

But it goes beyond that too. You wanna make sure that you're actually talking to these people and you're providing some sort of content to them so that they listen to you, so that you have a voice out there and you're on top of it because your competition is doing is that they're running around with a chicken with their head cut off, looking for what I call sex on the first date, and if you do get it, is that really a partner you wanna be with for the rest of your life? But so funny...

0:09:35.0

WS: The analogy...

0:09:38.0

SB: All these awkward somewhere that's... Oh, well, yeah. Okay, go ahead. Next question Whitney.

0:09:45.1

WS: Send in the articles, How are you coming up with the content to send them other than sending them your book or things like that?

0:09:50.2

SB: Well, you don't have to have a book, there are websites out there that I like looking at the real deal, their zero hedge, I like, there's globestreet.com, and anything that sort of comes from

authority figure, where you can add a little bit of commentary, what I do is, I say, Hey, I agree with this guy. Except for this, this and this, or, I agree with this guy. But when you forgot, is this or I think this is a great article, vision, this two, three sentences, and then just put the link in and send it out.

0:10:15.7

WS: So we're sending them this information, keep us going. What's after that?

0:10:18.5

SB: Okay, so after that, now you're starting to talk about a deal, and usually the deals we do, we're equity allocator, which means we take our own proprietary equity and the equity that we raise, which is hard cash, some people might call it down payment money, but we don't use that word, right? We're beyond that and you take that and we co-invest alongside other sophisticated operators who are usually family offices.

So, once you have something teed up like that or maybe it's a deal for yourself, you wanna start talking to your investors about this, you wanna start teasing him a little bit, you wanna put out what we call long page teaser, if I could switch to that right now, maybe we can have a little talk. So, I have this whole template here, which we'll be talking about at the event, but it talks about everything in one page that they need to know, and this is something that comes from you, and it's very focused on the investor, usually people will see something and it's like a 60-page offering memorandum. It's all lies because it's coming from a broker. I know I'm sending people out there, but this is what it is, and when it goes out like this, we see, if you guys can see it, we put together everything that they need to understand in one sheet.

Now, anything more than this, you're just absolutely drowning and suffocating your investors, and you have to imagine that these people are all reading this stuff from their mobile device, so it has to be very nice and friendly, so what we do is, I actually... And I'll get into in a second, but I put all the information here, the fees, the terms, who to contact and all that here, there's a link to a data room because nobody wants to see a bunch of numbers, they just want a bottom line, but if some of them are like engineers and very analysis paralysis type of people, you click to the data room. The other thing I put in here too as well, is I did a video, video is the most powerful medium you can use today.

[INTERVIEW 2]

0:12:08.0

WS: Our guest is John Bogdasarian. Thanks for being on the show, John.

0:12:12.0

John Bogdasarian: Happy to be here. Thank you.

0:12:14.1

WS: Let's talk about how you built that investor list. I know a lot of listeners are trying to get into this business, they're trying to raise capital or they're learning that side of the business, and let's talk about how you did that on... You talk about direct referrals, but maybe you can give us some corners from the seven investors up to the three or 400 potential investors that you have now, tell us about that.

0:12:32.3

JB: I'm not plugging it because it's terrible, I've got this book coming out, then there's a chapter on what I call prospecting, which is a skill that I learned back in the residential arena, and I was taught this by a guy named Mike Ferry, he's a residential real estate educator that you can go to mikeferry.com and download a script and dialogues and see what he does or attend one of his events, if you wanna learn about this skill called prospecting, which is no more than, and I just call it dialing for dollars, whatever it may be, you have a list of people, sphere of influence, you just create a very simple script, and I would just call people. I literally call our current investors and I say, Hey, Tim, you know I've got four more shares left, they're \$50,000 each, I'm wondering who else you might know that might consider looking at a deal like this, and I would get some names and numbers and emails, and I would fire the people to pack it, and I called them up and I'd say, Hey, Joe, you know I got your name from Tim, he's invested with us and deals, and I saying you pack it by email. Would you mind taking a look at it? I wondered if you'd have an interest in it and or if you have any feedback on it, you know, like your thoughts on that.

And I would try and engage people in the process of, What do you think of this deal... I'd like to hear about it. I love getting questions, don't wanna make mistakes, so if somebody has something that they bring up on one of my deals and I can address it or it causes me a little bit of angst and worry, then, hey, maybe I don't have the greatest deal out there, and let's avoid that one or do something else now, that doesn't happen too often anymore, because I'd like to think we think of everything, but you can't always think of everything, but after 20 plus years in the business, you don't hear a lot of new questions or things like that it's more market concerns, things like that, but in terms of starting out and grow in your database. I can keep a list of everybody. I'd go to the doctor's office for ice cream. I've had some surgeries in the past, and I'd say, Hey doc, I really appreciate you taking care of me, I'd like to take care of you. I don't know if you know what I do for a living, but I make rich people richer, and you have to meet the accredited investor criteria, which I know you do as a doctor, if you'd like, if you have to send you a packet, absolutely no obligation, but I certainly appreciate what you've done for

me here, and I'd love to make you some money if you're interested, and so just little scripts like that I would kind of design and then.

So, I'd get their contact info. Now I've got a doctor's email and cell phone number, which I've probably got 150 of now, and I'll tell you what, that comes in way more handy than you could possibly imagine, if I feel like, Oh, I've got something's bothering me in my chest, I've got 40 heart physicians in a world class facility, I've got all their cell numbers, I could call them up and say, Hey, doc, I'm having this little thing there, and they're like, Can I right now? Well, I'm here and I'll get an EKG or whatever. This happened once a couple of years ago, it was nothing, but it's a nice thing to have, so I kinda treat it like I'm doing them a favor. I think most people, when they're out there looking for money, are thinking they're kind of like begging or asking for money. Well, I've got a pretty solid track record, I've not lost... I guess you're gonna ask me that, so I'll save that story about, have I ever lost investor capital? But you know, honestly, I kinda look at it like, What the heck are you gonna do with your money? Nobody really knows what to do with their money. I have no trouble with it myself, so I put it in all my own deals because I understand them or think I do, and so I think I'm doing people kind of a favor, but I try to present it that way, either, you have to be careful about that as well, because if you're appreciative and you're gonna go a lot further, and to be honest with you, I am primarily because I can't do anything without their capital.

So, them trusting me and placing their capital would be very important, so try and balance those two things, but that's how I'd say, I basically got to this point now we have an Investor Relations Department and I don't get to have quite as many conversations with new investors. I still try at least once a week, just because I love it, and I like talking to people and learning about what they do, and my network of people is the most powerful thing I have is the best... It's my biggest asset.

0:16:45.6

WS: What are some other ways you're increasing your network right now that maybe some of us could apply to our business?

0:16:51.8

JB: You know, I've really deviated and come to the conclusion that I'm a lot better crafting the deal and talking to the investors and handling the books in the accounting and the money portion of this business than I am at going to township meetings, Planning Commission meetings, working with architects, those issues frustrate me to know, and I've gone through that enough to know what it is to appreciate someone who's doing that on a project. And you know that they should get paid some type of developer fees and things along the way, but primarily now what we've done is we've shifted our business to being the money behind it, and so what happens is, is a young sponsor maybe starting out, someone wants to be a developer,

maybe even some more sophisticated. We're now looking at huge projects, we've done \$100 million plus where people are looking at this GP-LP structure and they're looking for an LP, and we write him a proposal and say, Hey, why would you do it this way? We can structure it this way, our way, and not only would you end up with more money, but you don't have to deal with any of this LP-GP stuff, and so we've kind of morphed into just the money side and trying to grow that way.

I always tell people, Look, if you have a great deal and you really believe in it, you know the money is not really gonna be the issue, people think it is, but it really isn't, if you just make some calls and work at it, you can build your own database of investors, but you can also go to one of the hundreds of capital source companies out there, and they have connections to people like me, to family offices, to institutional money. If you wanna go that route, we don't do that, but we don't do anything public or institutional, just from the standpoint of not wanting to jump through the hurdles there, and it's a lot easier to just work privately.

0:18:48.4

WS: What are some questions from investors that this person just got into the business, what are some questions they need to definitely be prepared to answer?

0:18:55.8

JB: Interestingly enough, this book I've got coming out is designed for accredited investors to teach them how to find people to invest with, and I think it'd be good for deal sponsors, especially people who are starting out who wanna become indicators to read from the standpoint of... This is what investors should be asking you, but this is oftentimes what they're not asking you, so most of the time, I like to say I have... Well, they're all accredited investors, but there are smart investors and not so smart investors, we have both in our deals for sure, the ones that I've found that are more intelligent outside of what they're investing in with us, because I ask them What other things you're looking at what are the things that you're doing? And emails asking questions, the only way I learn is by doing.

So, what I found is that the smarter investors will ask more questions about me as a person, about how I structured deals, what my philosophy is, where I come from. Why do I do what I do and where my motivation lies in this process, what can go wrong? What's the down side? These are the questions they will ask. The, I wouldn't say not smart investors, but I think sometimes some of the investors who are very smart people, but they're not as savvy in this arena, will spend a lot more time on the deal itself. And what I like to tell people is, I don't care how good your deal is, you're gonna run into things, you're gonna run it on for... Seeing things you're gonna run into problems. It's gonna be a pain. How are you gonna see this through, what's your experience? What's the glue is gonna keep you attached to the deal, the person running the deal is far more important than the deal itself, that's what I tell people hands down.

[END OF INTERVIEW]

00:20:36.0

Whitney Sewell: We hope that you enjoyed the Highlights show today. You can always listen to the full episodes that were featured today by clicking the links in the show notes page. And in the description box, let us know what you've thought of this episode or you can go to lifebridgecapital.com/podcast and click the feedback button. Let us know how we can add value to you. Thank you and talk to you tomorrow.

[OUTRO]

0:21:00.0 ANNOUNCER: Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge 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. Life Bridge 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.

[END]