S.E.C. Real Estate Observer
AN E-PUBLICATION OF THE SOCIETY OF EXCHANGE COUNSELORS
Service. Experience. Counsel.

Inside This Issue

Welcome to the 2010 Fall Issue of the S.E.C. Observer. William F. Richert, S.E.C. President, encourages us to use "creative thinking vs. traditional thinking" in order to succeed even in the present economic climate. Steve England is looking for young entrepreneurs and wondering where they have gone.

In Part II of Ted Blank's series, he once again asks us to "love our banker" and he provides great advice about how much you might offer on bank REOs. Don't let the title of Dan Murphy's article frighten you — this is a "must read" article with excellent and timely advice. Lance Warner, S.E.C. Education Foundation President, also has some tips and suggestions along with an update on the Ed Foundation's progress. Lance is also "In the Spotlight" in this issue and you will learn about the colorful and various professions that eventually led him to real estate.

The History Files in this issue were all written in 1972. Jim Misko and Cliff Weaver suggest some strategies to save time and make money, and Marv Naiman offers an excellent "hobby" for all real estate professionals.

Our national sponsor, Bill Exeter, Exeter 1031 Exchange Services, LLC, keeps us up to date on issues that concern our marketplace.
Enjoy this issue, and as always, we welcome your comments, suggestions, and submission of articles to be considered for publication. Please contact the S.E.C. office via email sec@secounselors.com.

Jackie Hellingson
S.E.C. Observer Editor

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"Traditional Thinking vs. Creative Thinking"

William F. Richert, S.E.C.

Traditional thinking is about "what is" — Creative thinking is about "what can be." The news headline recently said "Double Dip Recession Possible." The media enjoys seeing the "glass half empty" and it's not the first time we've heard "the sky is falling." In fact, it has happened numerous times in the past.

Over thirty-six years ago, I started in the real estate business in Oklahoma. Not long after I started, we found ourselves in a market with runaway inflation of over 10% annually with long-term interest rates climbing to 13%–14% and the prime rate at 22%. Developers and builders were scrambling because their profits were eaten up in about 5 to 6 months if they didn't sell or lease their property. Then within 10 years, we had a banking crisis and a major recession with the Feds dropping the bottom out of the market through the RTC fire sale auctions that depressed prices for all properties. To add insult to injury, Congress changed the tax laws to the detriment of the real estate industry in the middle of this recession. Eventually, we recovered from both of those long-term events.

I tell you this not to heap on bad news, but to let you know there have been financial crises before, and yes, every crisis is different, but we have always "corrected the ship" in due time. I bring this up to encourage you to keep pressing forward, knowing that we will not be in this recession forever. One of the things we in the Society have going for us is the Society itself and the experience, expertise, energy and even capital we can draw on within the group and our contacts. Most of the rest of the real estate industry must go it alone and that is very difficult in an economic recession. I speak from experience since I went through the two episodes mentioned above before I found the Society.

In a capital-starved market like we are currently experiencing, it is encouraging to see more people being receptive to our way of doing business. I attended the NYSCAR (New York State Commercial Association of Realtors) meeting in Turning Stone Resort in June. Their meeting was very impressive, particularly the one-and-a-half-day marketing session that Bob Giniecki has nurtured for a number of years. Through Bob's leadership, the marketing session (and the conference) has grown to be one of the premier state/regional conferences in the nation. It is good to see so many people in the real estate business using many of the S.E.C. techniques and learning how to think creatively as well as counseling their clients to think about how they can help expand the market for their property.

We are at a crossroads in the Society. The future of our Society is in our hands. We never accept the “traditional” thinking of “what is” — we take the creative thinking of “what it can be.” It is challenging times like these in which we thrive. When other timid souls in the business hunker down and try to weather the storm, that’s when our group’s creativity and problem-solving expertise is in demand by a market that is looking for solutions. It is incumbent upon us to be proactive in helping other groups who would like to embrace our philosophies and methods by assisting local/state/regional marketing meetings succeed and to introduce those participants to some of the S.E.C. approaches to marketing. You will probably find people at those meetings who “catch on” to how we do some things and who want to learn more about our methodology.

Our next meeting is in the great city of Indianapolis. I hope to see many of our members, candidates, and guests in attendance. AND I also hope our members will extend an invitation to one or more of their colleagues who would benefit by attending our Indy meeting.

See you in Indy.

"Where Have All of the Young Entrepreneurs Gone?"

Stephen R. England, S.E.C., ALC

I had a disturbing conversation with a 35-year-old small businessman yesterday. He confirmed what I have observed. We seem to have produced a generation of young folks who have little desire to own and build their own businesses.

My young friend is the exception and has started a couple of enterprises, and purchased a small printing business. When asked if he knew anyone in his age group who wanted to start a franchise restaurant, a small business or anything of their own, he replied that most of his friends, fraternity brothers and peer group network didn't want to work that hard!

Most real estate people build their own little businesses because they start by working on commission and hopefully grow a retirement through personal investments. This doesn't seem to be a burning desire for many in our younger generation.

We read and hear that small businesses are not hiring, and some of this is because we don't see a younger generation of startups — at least in my small town.

In my community, I know many folks in their 50s and 60s who built very successful entrepreneurial enterprises. Many are quite well to do, and in several cases will leave a great legacy of a company or group of enterprises they started. Several started as food and restaurant franchisees that are viewed as high risk (only one in four survive being the common caution).

This is an easy formula for many with energy and drive. Many of our wealthier business people trace their success back to a restaurant, café or small motel they started.

Shouldn't now be a perfect time to encourage the younger generation to embark on entrepreneurship?

- There is vacancy in our strip centers and small offices so developers and banks will be friendly to their ideas.
- Unemployment is high so there should be a pool of people to hire.
- Investor dollars are piling up with little places to go. Don't you think that a good energetic business idea might attract some down payment or joint venture capital?
- One of the easiest bank loans to get now is a Small Business Owner Operator loan because they can be government guaranteed.

Maybe it is a good time to talk up entrepreneurship and brainstorm with the younger generation around us!

"I Love My Banker – Part II"

Ted J. Blank, S.E.C., CCIM

When a bank loan goes 30 days delinquent in payments or past the due date, it becomes a scheduled item with the auditors. They may or may not require any reserves be put aside for loan losses. As default status continues, the loan will be written down based on borrower financial strength, appraisal, strength of the bank, etc. After 90 days delinquent, it will be put on non-accrual, meaning the bank cannot book accruing interest to income. At this time, a loan loss reserve will be established or increased. Loans can be put on the watch list or scheduled items for other reasons; lack of current financial numbers on the borrower or business, old appraisal, or appraisal showing no equity.

Sub-performing loans become non-performing after 90 days of no payments, and normally, this is where foreclosure starts. After foreclosure, the bank may get a new appraisal and set up an additional loan loss reserve (probably around 20%). Each year, the bank holds REO will require another appraisal and another 20% write off. This write off is charged to loan loss reserves and is an expense of the bank and a charge against bank capital. After 5 years, they have written the asset to "0." However, once they sell it, they can credit operating revenues for anything they sell the REO in excess of its then current book value. In our 5-year example above, their book was written to -0-. Book value is a very valuable number for you to know. A bank can sell at book and not take any more losses. That does not mean they will, but they can.

Example. Investor buys $1M piece of development land and borrows $700,000 interest only, against the $1M appraised value. Market deteriorates and client struggles. Over time, the bank writes the loan down to $500,000. The borrower is still trying, and is making monthly interest payments. Borrower and bank agree to a loan modification extending the due date 2 years and lowering the interest rate to 3%.

Questions:

1) How much does the borrower owe?
2) How much loss has the bank incurred to date?
3) How much capital was written off?
4) What can the bank sell the loan for today without any additional recognized loss?
5) If the borrower offered to buy his loan for $600,000, what impact does it have on the bank?

Answers:

$700,000; $200,000; $200,000; $500,000; $100,000 profit and increased capital.

In the 3rd part of this series, we will look at some ways to work with banks, and formulas that will allow the bank to preserve their capital and still market their non-performing assets. In the meantime, remember to share the love with your local banker.

"Preparation … H"

Daniel J. Murphy, S.E.C., CCIM

When I asked other S.E.C.s how much they prepared for a meeting, the response I got most often was "Preparation…Hell, I'm too busy "to prepare," hence, Preparation…H. As I look back at my thirty years in the Society, I'm in the same boat.

We are all running hard and fast between business, family, and life in general, but how much time do you actually spend preparing for a meeting? How do you prepare?

Years ago, Steve Barker, Bob Zink, Bill Warr, and I decided we should climb MT. Rainer. During the indoctrination for the climb, Eric Simonson, a renowned guide who has made several assents on Mt. Everest, asked each of the thirty people in the group how they prepared. The answers were varied from running ultra marathons to one-hundred-mile bike rides, the stair master, and walking seven miles per day. With one exception, an Irish lad answered, "I've trained on Mexican food and pizza." Somewhere around twelve thousand feet, unable to climb any higher, the Irishman was staked to the glacier inside his sleeping bag until the summit group returned for him. The next year, he was prepared and made the summit.

We study for tests and finals; workout before hunting trips, marathons, and ski trips. We prepare for speeches, lectures, and classes we teach. Many prepare for eternal life through prayer, church, bible study, etc. — but how do each one of us prepare for a meeting?

If you've had the opportunity to sit next to Mike Libster or Steve Barker, you begin to notice preparation. Color packages lined up on each of their properties. Trade Tracker offers written before the meeting and followed up on during and after the meeting. Back-up packages full of detail with maps, zoning, demographics, photos, and enough detail to entice the broker and client. Follow-up after the meeting via phone and e-mail. They are preparing to close a transaction.

They say that S…sells! Of course, I mean "sizzle." Maybe you think you've prepared because you have a package in the book. I'll admit it's a start, but what have you done to peak the interest of those in the room? Why must we have this property? We understand you or the client have a problem. If you have a need identified, "I need a new loan," the property should be in a have-want session. We all stand up and talk about "features" such as how the property's zoned. Being zoned means nothing; I'm not from East Timbuktu where the property is located. Give me the "benefit"— it took five years to get the zoning at a cost of ten million dollars and it is the last piece of land in the state to receive said zoning, and the client will sell for a million dollars and it's worth $10 million. Now you've got my interest.

In your preparation, think about the time value of money. How much is your time worth? At one million dollars per year, your time is worth $500 per hour. If we have one hundred people in the room at a typical SEC meeting at an average rate of three hundred dollars per hour per person, that's $30,000 per hour. We double that number because we are only doing production about 50% of the time, add the meeting cost, travel, hotel, and an additional day or two getting to and from the meeting and we begin to see that the cost of a six-minute podium pitch is approximately $10,000. How much thought (preparation) do you take before you write a $10,000 check? Remember, not only are you spending your money, but also the money of everyone else in the room when you go to the podium.

How much thought did you give to the package, your time, and the others' time in the room before the meeting? Too often we hear packages pitched that should not reach the podium and God forbid we have two similar packages in a row that are small equities, single-family homes, or small subdivisions. When we do, the participants lose interest and often it is hard to get them back in the room or back on track. It is our individual responsibility to be prepared and not waste the time that some other participants may need. We are all part of the problem and at the same time the solution. As the Boy Scout motto says, "Be Prepared."

Does your presentation from the podium have "sizzle?" Does it have benefits? Is it worth presenting to the high-priced talent in the room? Does it have enough of a fee to warrant a podium presentation or should you be making offers with the vehicle or using it during a quick pitch or as a can add?

Help the moderators help you. Be prepared for pre-moderation! If pre-moderation of packages is not being done at a particular meeting and you have a difficult package, ask the meeting manager to assign someone for pre-moderation. We all want to hear about "benefits," not "features." Benefits are, what does the package do for me? It has upside. How much? How long will it take? What's the risk? The annual cash flow? The IRR? Be prepared to make us want to know more about the property, people or circumstance. Open up your thinking! How well have you counseled the client? How much have you opened up their thinking? Or, have you just taken an order and listened to what the client initially said without expanding their thought process?

Allow Trade Tracker to help you counsel the client. Take the offers you have written and the offers you have received and use those offers to open the clients' thinking. Then take the offers that were written in on the properties you wrote offers on, plus the offers on the properties who wrote in on your property. Think multi-leg! Expand the client's thinking and "prepare" them to make a transaction. Even though your client has said cash only, they will do something else; be prepared to be surprised at the alternatives once you prepare them to make a transaction. Situations change! Even though you've been given your marching orders, things can change in the blink of an eye. A loan doesn't get renewed, a tenant goes bankrupt, illness or death in the family, estate planning, a bad quarterly profit report, etc., etc. How long has it been since you checked the client's situation — 30, 60, 90 days?

Sometimes we're our own worst enemy! Recently, we fired a brokerage company that had an industrial listing of ours for eighteen months with no activity. The week after we hired a new broker, the old broker brought an offer from the next-door neighbor! How long had it been since the old broker canvassed the neighborhood? Both sellers and buyers' circumstances change.

In case you haven't noticed, it's not "business as usual." **Be Prepared!** Next time you're asked if you're prepared for the meeting, your presentation, or your quick pitch, the answer should be "Prepared?…Hell, yes!"

"S.E.C. Education Foundation"

Lance Warner, S.E.C.
2010 President

The uncertainty of the current economy creates significant pressure on the charitable resources of The Education Foundation's Farley fund to provide timely and effective help for those in need of assistance. While financial assistance is certainly important, and greatly appreciated, there are many other things we can do; not the least of which is to do what we have been trained to do — seek to provide compassionate, effective, and timely counsel.

A number of Members faced with today's challenges are finding opportunities and sharing those opportunities with other Members and the public. Bob Steele, who sometimes claims to be too tired to travel to meetings (just kidding, Bob), has put together a very interesting forum that creates an opportunity for participants to exchange a wide range of non real estate property for real estate. Incidentally, Bob continues to author many wonderful materials and shares many of them with the Society's Book Store.

Chet Allen and Virgil Opfer continue to refine their HomTrade venture following its introduction last year. I urge anyone who has not explored these opportunities to expand their business to do so. These are but two examples — I am sure there are more.

As we work, individually and collectively, to turn the corner with this economy, I look forward to when we can again focus far more of our efforts and resources on advancing the cause of Creative Real Estate education. In the meantime, we continue to seek opportunities to make a positive difference with the resources and time we have allotted.

I am sure that we all greatly appreciate everyone's contributions to help those in need to weather this storm, whether it is through the Foundation or simply a member taking it upon themselves to discreetly provide one-on-one help to a member or guest.

Please don't hesitate to contact me with your ideas and suggestions (and criticisms). I look forward to the former and need the latter.

S.E.C. National Invitational Marketing Session

Indianapolis, Indiana

September 19–22, 2010

The S.E.C. National Invitational Marketing Session will be held at the Hilton Indianapolis • 120 West Market Street • Indianapolis, Indiana • 89109.

Visit www.indianapolishilton.com to learn about the hotel accommodations, and www.indy.org to learn about the Indianapolis area.

Visit www.secounselors.com and click on the Society Marketing Meetings menu tab for more information. Please contact the S.E.C. Office sec@secounselors.com if you have any questions about the Indianapolis meeting.

GREEN: *More Than Just a Color*

The S.E.C. Education Foundation is pleased to announce that **Peter R. West, S.E.C., CCIM,** will present **"**GREEN: More Than Just a Color," from 9:00 a.m. to 5:00 p.m. on Sunday, September 19, 2010, in Indianapolis.

Attendees of **"GREEN – More than Just a Color"** will:

- Learn the concepts of GREEN, and understand the basics behind this movement.
- Understand the concepts of GREEN as it relates to the real estate sector.
- Gain a general awareness of GREEN and how it relates to the real estate consumer.

Mark your calendars now! Please visit the *S.E.C. Observer* at www.secobserver.com and click on Upcoming Events to access the calendar of events and view a brochure for the course.

Biography

Lance Warner, S.E.C.

History of the Warner Family:

Although it was not a subject that the family would ever discuss, it is alleged that Lance's paternal grandfather was a half-breed Seminole from Florida who grew up when such ancestry was a liability. He lived a very interesting life including wrestling alligators, riding in the Rough Riders, and working as a chef. He moved around a lot, and finally settled in the northern region of the US. Lance's paternal grandmother was a petite English woman who married her 19-year-old husband when she was 14.

Lance's mother, Maurine Buehl, was of German descent. Her parents were among the many Germans who immigrated to New York in the early 1900s. Lance's mother was born and raised in Cleveland. She started her career modeling clothing for her father's illustrations in magazines, and moved on to other catalogs for major retailers at the time.

Lance's father, Don Warner, was of American Indian and English descent. Don went to college but his father was in a serious car wreck and he dropped out of school to help take care of him. In the mid 1930s, he started working in Sandusky, Ohio, at a very small aluminum and magnesium re-smelter, alternating between helping with production and going out on sales calls. The advent of World War II saw their sales and production skyrocket as both metals and their alloys became critical for the war effort. By the mid 50s, the company had grown to be the second largest in the United States.

Don and Maurine met in high school, casually dated over a half-dozen years, finally marrying and moving to Vermilion, a small fishing and farming village on Lake Erie midway between Cleveland and Sandusky.

Lance was born on February 28, 1942, in Lakewood, Ohio (a Cleveland suburb), primarily because this was the only hospital near his actual home town of Vermilion, Ohio. Vermilion is a small town about 35 miles east of Sandusky; Lance lived here until the age of 13 when his family moved to Sandusky. His parents liked Vermilion because it was located about halfway between his mother's parents and his father's office. Lance grew up surrounded by lagoons, marshes and woods and where he spent his early youth swimming, sailing and exploring.

Lance has two younger brothers. Stuart Warner is retired from the auto industry and is noted as a phenomenal model builder with multiple national awards. He restores antique fire engines and is an avid hiker and Kayaker. His kayak trips up to the northern coast and to Lake Erie are a couple of hundred miles each trip. Toby Warner has been a lifelong student. Toby lives in Thailand with his wife where they operate clothing factories for youth clothing in the Asian markets, as well as operating a couple of shopping centers in the area.

One interesting note about Lance's youth would be the odd summer jobs. For example, one summer he and his brother worked at the Cedar Point Amusement Park as stunt men on a steam engine and stage coach reenactment ride. Lance would dress up as an Indian fully painted including a Mohawk. He would either ride on a horse or swing on a rope to board the ride. His brother “the policeman” would fight him off, eventually shoot him and Lance would fall off the side. Ironically, the only injury every sustained was from his horse backing up to check on him after a fall. These skills would actually prove to be quite useful in later military training and demonstrations.

Lance attended Sandusky High School where the football team was known as the Blue Streaks. They were crowned the state champions. According to Lance, due to his size and lack of speed, he spent more time as a blocking dummy, and did not see a strong future in the professional ranks. Upon graduation and with the help of a ROTC scholarship, he attended Wentworth Military Academy for 2 years. In addition to the military training activities, he played football, swam and took the part of a stunt man in a Civil War documentary film. He completed Wentworth with an associate degree in English and a minor in Physics. He received another ROTC scholarship to attend Bucknell University in Pennsylvania, where he earned a bachelor's degree in Business with a major in Economics.

Lance found himself reporting to Fort Hood only nine days after graduation, and due to receiving extremely high scores in ROTC, he found himself on a fast track, training for Special Forces, which was in its infancy at the time. Along the way he went to Fort Benning, Georgia, for Airborne qualification and Ranger training. He was assigned to Fort Wainwright, Alaska, to help reconfigure a light infantry company into an airborne combat patrol and reconnaissance unit. Before deploying to his next assignment in Vietnam, he completed qualification training at the Army’s Jungle Warfare Training Center in Panama.

His first assignment in Vietnam was as Battalion Psychological Warfare Officer for the 25th Infantry Division, followed by an assignment as Assistant Intelligence Officer (also for the 25th Inf. Div.). His last assignment of that tour was as B company Commander, Ist of the 5th Infantry, a heavy mechanized infantry company tasked with probing operations in War Zone D. His next assignment was back to Fort Benning, Georgia, as a Ranger Instructor where he also participated as a member of the Ranger’s demonstration cadre, specializing in survival skills and snake handling. Next was another Vietnam tour, this time with several Special Operations Groups. In 1969, he returned to Fort Benning as an instructor.

After meeting Patricia Cates, a Vietnam War widow, and asking her to marry him, Lance submitted he request for release from active duty, but remained in a special reserve capacity until 1990.

In 1971, Lance moved back to Sandusky where he shortly worked for an automotive supplier, before taking a position as a Field Superintendent with an industrial construction company in 1970. He remained in the industrial construction field including a period with Ford Motor Company in charge of a warehouse automation conversion and another stretch with Imperial Electric of Akron, Ohio, to modernize two existing plants and construct a third plant. In 1982/83 he served as Sandusky's first Economic Development Director. In 1984, he started his own construction company. After experiencing several ups and downs in the economy, he decided to transition to Commercial Real Estate, which he did over the three-year period between 1990 and 1993.

Lance has one daughter, Page Warner, who was born in 1973. Page is currently the Director of Special Education for the Willard School District. Through my conversations with Lance, I can tell that the pursuit of education runs high through this family. Page attended college at Hillsdale, Ohio State, and Bowling Green, and carries Dual Masters degrees in School Administration and Psychology. Her undergrad was in Psychology and Education. It comes as no surprise that Lance is extremely proud of her accomplishments and she carries many of the same characteristics found in her father.

Pat and Lance divorced amicably in 1979.

Outside Interest and Hobbies:

As most everyone is aware, Lance has no shortage of adventure. Starting at the age of 5 when most of us were learning how to ride a bike, he was given his first sailboat. He sailed a lot growing up and among his summer jobs during college, he worked as a charter boat skipper for families who wanted to vacation on the Great Lakes for 1 to 2 weeks.
He still enjoys hunting, hiking in the mountains, horseback riding, and cross-country skiing. In Lance's eyes, there's nothing better than staying in a cabin in Colorado and taking 8- or 9-mile hikes through the mountains. To add to his pursuit of adventure, a little known fact is that Lance was actually a bull dogger in amateur rodeos in his younger years.

Lifetime Awards and Designations:

Lance carries a number of awards and designations. He has been past president of his local Rotary Club, local Junior Chamber of Commerce, and Ohio Commercial Realtors Exchange Association. He has been the past treasurer and secretary for NCE, S.E.C. Counselor of the Year; and recipient of the Outstanding Leadership Award from the Ohio Education Service Center Association.

Civic Interest and Contributions:

Lance is the chairman of the 2010 Charter Review for the City of Sandusky
Community Coordinator for NASA Plumbrook Station .
He serves on the Long Range Planning Committee for the Erie County Economic Development Corporation, on Sandusky's Brown Field and Bay Front Corridor Committees and the Plum Brook Station Community Support Group's Executive Committee.

Life Goals:

In typical Lance Warner tradition, and in the true essence of his character, he states that his life goals are measured by a quote from his grandfather: "You know you have done well, if at the end you gave more than you took." I can't think of a better way to describe his personality than these couple of lines. Lance is the kind of person who would do anything he could to help you, or to better a situation with his knowledge. He truly loves everything about the SEC and everyone within it.

Business Goals:

Specialties include Consulting, Exchanges, Due Diligence, and Site Selection. His main focus is keeping the SEC healthy and to increase the education through support and marketing to get the knowledge and training into individual communities.

Philosophy on Real Estate:

"Finding the means to an end through income, beauty and pride, play, or out of habit." The only way to truly identify his philosophy is through his individual counseling of each client and their wants and needs. Each person is looking for something different, and this again quantifies perfection of counseling, which has been learned, perfected, and applied over time.

Strengths and Weaknesses:

We all have weaknesses, and for the most part, it seems that most of our weakness involves the need for more time to get things done. Through conversations with Lance, I have found that he is one of the rare examples that go against that grain. Time is his strength. One of his strong specialties is that of due diligence. He has the ability to work through site selection and due diligence on a transaction when most would give up. He identifies his strength in this area as "attention to detail" and the "tenacity to pursue the minutia." Lance believes strongly that you can follow something small and inadvertently trip across something big. He has found this to be true in several scenarios, but many of his larger transactions have surfaced through his persistence of something very small.

Most Significant Event in Life:

As easily identified through his character and to no surprise, the most significant event in his life is the birth of Page. The pride and involvement he has had with her growing up and the skills and characteristics he has instilled in her through her studies, and pursuit of helping others, is evident and most certainly justifies his life goals of giving more than you take.

Most significant Moment in Real Estate:

The invite and participation in his first S.E.C. meeting. Lance received an invite from Ted Blank through an NCE meeting they had attended. He felt at the time he was just a small guy and it had to be over his head. He was continually approached by Ted Blank, and followed by Jim Brondino and Harry Kennerk. He finally decided to give it a shot. He was immediately hooked. Lance states that he noticed immediately the unselfish giving that the Society provides, the unlimited help offered through the members, and the sense of a "second family" even in the way a guest is treated. He knew this was an incredible fit, and he has been truly infused into the group since the first meeting.

Most Significant Event in S.E.C.:

Lance carries many responsibilities through the S.E.C. meetings. He is in charge of many behind-the-scene events that the normal attendee would not know about. Pay attention at the next meeting, and aside from the presentations and constant activity, look for the blur running around the edge of the room fixing what everyone else commonly breaks. Lance considers the group his extended family. "I was the oldest brother growing up and I guess I play the same role with S.E.C." He has always been fond of the Society and cannot think of another group that " when push comes to shove everyone comes together to make it happen."

By gaining a better understanding of Lance and his characteristics, and the importance the S.E.C. plays in his life, one can truly understand what this organization is all about, and the class and prestige of its members. There are very few opportunities in this world to come across such unique individuals who will go out of their way to help anyone in a struggle in the way that Lance Warner has done throughout his career.

"Grab a Root and Growl"

Jim Misko

Editor's Note: This article first appeared in the August 1972 issue of the Real Estate News Observer.

Everybody's "gotta be somewhere" — right? Every property's "gotta have an owner" — right? From the Empire State Building to the four-unit motel that was just condemned, all real estate is owned by a legal entity. That entity must make the decisions regarding the future of that property — even the older ones — the misfits — the alligators.

So, in an exchange market, many of these properties are going to appear "restrained" due to the distressing situation they present to their owners. Thus, they engender a high degree of motivation and the willingness of the owners to accept many things other than cash for their equity.

The opportunities in these "misfits" are fantastic. Given a reasonable amount of time, money and creative thinking, these properties can become your, or your client's "Bag-Keepers" — the ones you hold for long-term investment. Using creative techniques to acquire and hold these properties is the key.

Let's assume that your client is about to acquire a small motel that really is a "Mom and Pop" operation, but he isn't going to run it. You will need three things for success:

1. Money to upgrade.

2. A good maintenance man and manager.

3. A plan for profit that has appeal. The need for upgrading, fixing deferred maintenance, and operating the motel until you can generate more income from it. For example, it will take about S1,200 a month - $200 to cover a manager and $1,000 to buy materials and put a maintenance man in the motel full time to fix and upgrade the units.

Try to defer any payments for six months, especially to the owner going out of title. If possible, get him to pay the total payments for six months. Or, have him give back some paper to offset the negative cash flow you expect to experience.

Now try to arrange financing to do the upgrading. Try Title I FHA improvement loan for five years up to $5,000. They "authorize fast" and cost about 12% true simple interest. If you can, refinance the property — it will be longer term and cheaper interest. Perhaps you can include some other property you own that is in good shape and give the lender a blanket mortgage over both of them if he is unwilling to lend on the misfit alone.

Other possibilities for getting the money you will need are to syndicate the loan with private lenders, or bring in some partners on a percentage basis. The real problem is getting and keeping a good maintenance man who can make small decisions, and do reasonably good work in the expensive areas like plumbing, electrical and concrete. Try fire departments in cities. They always have electricians, plumbers, carpenters and jacks-of-all-trades, and they have 48 hours on duty and then several days off. They like to make extra money. Generally around $3.00 to $4.00 an hour will do it.

Advertise for a maintenance man with tools of his own. You will get a lot of replies. Try to take a look at some work he has done before you hire him. You'll be safer if you do. Look also for retired people who want to supplement their income.

A manager is the hardest to find. Getting someone who will willingly work different hours, and for generally low pay, is difficult. Finding a manager who will see it through from beginning to end and then probably lose his job to a new “Mom and Pop” purchaser is tough. I have found it good, when the end result of the plan will erase their job, to give them a small percentage of the profit — say 10% to 20%. It makes them help sell it when the time is ripe — instead of being resentful every time a prospective new owner comes to look.

And now the Plan. It must have appeal to the lender, to a new owner, and to you. If it doesn't, you will fight an uphill battle all the way — make less profit and, worst of all, you won't have that dream to sustain you in the moments of despair: when you have run out of money; the manager has quit in disgust; and the building has just been condemned due to termites, dry rot, furnace failure, and general collapse of the plumbing facilities.

Survey the neighborhood and determine the highest and best use for the improvements you have and then lay out your plan with projected income and expenses, artist's conception, bids and specifications for work to be done.

Determine the outcome and then shoot for it with all your power. That is what is meant by “grab a root and growl.”

"Paper is My Hobby"

Marvin Naiman, S.E.C.

Editor's Note: This article first appeared in the May 1972 issue of the Real Estate News Observer.

Notes are neat
Paper's Keen
See it piling high;
Monthly payments
Big and small
Pleasing to the eye!
See that principal
Add some interest
Trust deeds bring me pleasure;
Cash is cash
No doubt of that
But its paper that l treasure!

by Sid Levin, The Sherman Agency

The quality of the poetry may be questionable, but the philosophy it expresses is, I think, beyond dispute.

Admittedly, some paper is not worth papering your walls with, but that which one feels comfortable (and that takes in the vast majority of notes) is truly an excellent commodity, and one that the real estate practitioner would be wise to understand and learn to work with.

Notes should be thought of as the annuities of our business in as much the same way renewal premiums are to the insurance man. The real estate practitioner who turns up his nose at a note is shortsighted at best and a bit of a fool at worst. Anyone who has gone the "paper route" knows it doesn't take long before the astute Realtor, with a keen eye toward the value of a well-secured note, can accumulate a sizeable portfolio of notes that can bring him a monthly income worthwhile.

Moreover, it is nothing for an active and knowledgeable Realtor, with an understanding of the benefits in paper, to have an estate in notes alone of $100,000 or $200,000 or even more. But you must learn to hang onto notes when they come your way. If you constantly sell or exchange this paper, you will eventually have nothing. Don't make the mistake exchanging or discounting paper as soon as you get it.

Consider this: The taking of notes can not only provide you with a steady and ever-increasing income, but this very income can also give you the flexibility that from time to time will mean the difference between making or not making a deal.

If you are forever pressed for cash, your flexibility goes out the window in your unending need to take only cash fees. But once you have established a steady and even sizable income from the notes you've taken, the pressure is off and you're in the enviable position of being able to wheel and deal and, oftentimes, take a larger fee in the form of a note than if you took cash at the time of closing.

Over the past dozen years, I have made an actual “hobby” of accumulating and collecting all the notes and paper that came my way. The payments on these notes range from as little as $3.00 to well over $200 a month, and the range of interest rates is equally as wide!

Keeping track of the notes due you is a minor problem and if you have an office set-up, it is no problem to have your accountant set-up a simple set of books to record all payments and their due dates. Amortization schedules can usually be purchased for aiman cont.
a modest sum from a bank or computer service in your community, thus allowing incoming payments to be handled and recorded with ease. You can, should you prefer, work with a bank and pay them a small monthly fee for servicing and collecting your accounts.

Naturally, you're bound to have some slow pay, and now and then a no-pay. But if your security is good, and if you're patient (and also take the trouble to find out why payments have stopped coming, most times there is a cause that can be remedied) you can usually get the payments back on track without resorting to undue pressure or legal action. In the event the debtor has moved or lives in a different part of the county, you can probably exchange these slow or delinquent account to another Realtor whose office is closer to the maker of the note and thus, in a better position to work with the debtor and eventually collect the note in full.

Obviously, there are bound to be problems from time to time, but the little bit of trouble you'll experience will be far outweighed by the inherent advantages of acquiring and holding onto notes until they either mature or are paid off.

I think it should he clear that paper can be a most valuable part of your estate, one that builds and builds. If you're not interested in making the collecting of paper a serious business, then do it as a “hobby” the way I have. The results will be the same and just as gratifying.

"Check Your Habits"

Clifford P. Weaver, S.E.C., CCIM

Editor's Note: This article first appeared in the February 1972 issue of the Real Estate News Observer.

CHECK YOUR HABITS! It has been said that we are creatures of habit and Real Estate Brokers are certainly "habit" creatures. When we were originally introduced to this business by our employing broker, we were taught policies and procedures that, for the most part, we are still following. Have we ever stopped to examine some of these habits? Let's take a glance at a few.

Many of us carry four, five, six or over seven credit cards. We travel a lot and use them! If you want to save or conserve time, why not use only one card. When you use several cards, it requires you, or someone, to write a check for each card.

It's a fact that by the time you open the bill, sort it out, verify the charges, write a check, process your cancelled check, and audit the expense for IRS purposes, someone has invested twenty minutes in that one check. If you charge expenses on more than one card, you have compounded this twenty minutes by each company you use! Someone has to pay for this time. I don't know who said: "Time is money," but it really is a shame that some of us have to devote it to processing checks to credit card companies.

In a recent interview with over seventy top professional attorneys and real estate counselors, I noticed most of them have their secretary write and issue checks. All of them had their secretary bonded. This procedure was handled in this manner for the business account only. No bills were mailed without the approval of the counselor. All trust account checks were drawn by the secretary, but only the counselor was allowed to sign these checks as trust fund monies belong to others.

The idea is to delegate the detail work to others and, obviously, supervise the funding of monies. This "delegating procedure" allows the counselor to devote his time and talent to more profitable things, and who likes to do the routine detail work anyway?

Solving Problems With a Private, Professional Fiduciary

By
William L. Exeter
President and Chief Executive Officer
Exeter Fiduciary Services, LLC

Private, Professional Fiduciary Services

I gave a brief overview of our private, professional fiduciary services at the last SEC marketing meeting, and have received a number of calls and emails since then asking for clarification regarding our fiduciary capabilities. So, this article will be a little self-serving and will hopefully clarify how Exeter Fiduciary Services, LLC can assist SEC Members and their clients in solving various closing or settlement problems that present themselves at the most inopportune times.
As you know, trust services are generally provided by banks and/or trust companies, which are licensed by national or state regulatory authorities. However, some states, such as California, have realized that there is a huge void when it comes to fiduciary services that the large banking and trust institutions choose not to serve. Therefore, certain states license private, professional fiduciaries to help fill these voids.

Exeter Fiduciary Services, LLC

Exeter Fiduciary Services, LLC is licensed by the State of California, Department of Consumer Affairs, Professional Fiduciaries Bureau as a private, professional fiduciary. Exeter Fiduciary's focus is and always has been to serve the specialized fiduciary services void that exists in the real estate community.

The parties involved in the purchase, sale and refinance of real estate, especially commercial real property, are often confronted with obstacles at the last minute that can hold up the closing or settlement of the transaction. The challenge often involves a dispute or disagreement between the parties over the allocation or distribution of funds or other property.

Holding Trusts or Holdback Escrows

One solution is to have the parties agree to have the cash or property held by an independent third party, such as Exeter Fiduciary Services, LLC. When the parties can not agree and end up in litigation, Exeter Fiduciary Services, LLC can be appointed and directed by the Court. A Holding Account, Settlement Trust or a Cash Holdback Escrow could be established to hold the funds or property pending the resolution or settlement of the issue.

The Holding Account, Settlement Trust or Cash Holdback Escrow is a very simple fiduciary solution to an often complicated problem. These problems often arise at the last minute and can delay, complicate or even result in the cancellation of some already fragile real estate transactions. Exeter Fiduciary Services, LLC can help you structure a fiduciary solution when a dispute or disagreement threatens your real estate transaction.