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Welcome to the winter 2017 issue of the *S.E.C. Observer*. In this issue, Nick J. Esterline, S.E.C., the 2017 president of the Society, shares his “B-3 Initiative” to help you succeed.

Vicki Yeomans, S.E.C., explains why counseling should be part of the due diligence process. Steve Eustis, S.E.C., CCIM, conveys the “creativity, patience, and persistence” that he and Jeff Drinkard, S.E.C., demonstrated in order to complete a long and difficult development.

Bob Steele, S.E.C., provides helpful strategies for “counseling and control” and he illustrates why “flexibility is a benefit to the exchangor.” The S.E.C. Education Foundation’s 2017 president, Paul M. Winger, S.E.C., reports on recent and upcoming courses.

The “Society News Briefs” section includes information about our upcoming meetings in Tulsa, Oklahoma, and Reno, Nevada, as well as information about our upcoming courses, *Ultimate Syndication Workshop* to be presented by Gene Trowbridge, Esq., CCIM, in March, and *Cutting Edge Strategies – Tax, Asset Protection & Trust/Estate Planning*, to be presented by Peter Karl III, Esq., in May.

Our “In the Spotlight” section features Charles S. Steffel, and you will learn how his life experiences led him to a career in real estate. Cliff Weaver explains what to do if “you only have one listing,” and Jim Misko shares his method of “how to get cash fees in exchanging” in the History Files.

Enjoy this issue. As always, we welcome your comments, suggestions, and submissions of articles to be considered for publication. Please contact the S.E.C. office via e-mail at sec@seancounselors.com.

Jackie Hellingson
Editor, *S.E.C. Observer*
With 2017 well underway, and in a hurry, no doubt, we have probably all forgotten about those quiet moments we spent over the holidays, pen and paper in hand, making notes, daydreaming, and thinking about all the things we were going to do in the coming year to improve ourselves both personally and professionally, and we have spun ourselves right back into the firefight of busyness that we thought we left behind us in 2016.

We don’t know the exact date or time, but we are heading into a season of shifting winds in the real estate business. Liquidity is still strong in the market, interest rates are still extremely low, and deal flow is as hot as ever, but, as we all know, “it’s never too late to reassess and reposition . . . until it’s too late!”

Every quarter, I conduct an “out of the office” meeting with my entire corporate staff. This is an opportunity for my entire development and hospitality operations teams to come together and spend an entire day in an off-site conference room going through our business strategy, function, and successes and failures. I want to share with you the contents of our most recent quarterly meeting and the adopted strategy we walked out of the meeting with that day. We call it **THE B-3 INITIATIVE**.

**B-3** stands for **Better Before Bigger**.

The philosophy that we developed as a group that day is this:

> *It’s not IF, but WHEN things slow down—the people and the organizations that will continue to rise despite easing in the industry and overall economy will be those people and organizations that have a solid infrastructure; a laser focus on executing what they do best, and ONLY WHAT THEY DO BEST; and that have surrounded themselves with and have formed fantastic relationships.*

We have committed ourselves to the following, and I am now challenging you to do the same:

1. Get better on your leverage.
2. Get better on your cash position.
3. Get better on your planning and operational functions.
4. And most importantly . . . GET BETTER AT YOUR RELATIONSHIP BUILDING! One thing I think we all forget about when times are good is that RELATIONSHIPS ARE ALL WE REALLY HAVE! Find time . . . no, scratch that—MAKE TIME every day to build a relationship. Whether laying the first brick of a new relationship or adding bricks
to the foundation of a relationship you have had for years, MAKE TIME to build relationships.

We have to come to work every day assuming it can always get better. If we ever come to work and think that it is “as good as it can get,” we have lost our edge and it will be the beginning of the end. We CANNOT get complacent.

In the words of Truett Cathy, founder of Chick-fil-A, “Don’t focus on getting bigger—focus on getting better. If we get better, our customers will demand that we get bigger!”

My best to all of you,

Nick
II. Feature Article

A. Counseling as Part of the Due Diligence Process

Counseling as Part of the Due Diligence Process

Vicki Yeomans, S.E.C.

This is an excerpt from 5 Things That Should Be on Your Due Diligence Check List, a course taught by John Brennan, an S.E.C. member and past president, and Vicki Yeomans, an S.E.C. member.

During the due diligence period we rush to check certificates of occupancy, surveys, utility availability, and myriad items that appear on due diligence check lists. One of the most important questions we should ask does not appear on any of these boiler plate forms: “Is this property right for this ownership?” Does this property serve the purchaser’s goals and align with his skills, assets, and capabilities?

To best answer these questions, the due diligence process needs to begin prior to putting a property under contract. We need to begin counseling the client so both broker and client understand the goals, capabilities, and needs.

Defining the benefits sought:
When discussing real estate investments with clients, I like to carefully define their time frame expectations and quantify the benefits sought. One client plans to retire in 10 years and will need an annual income of $150,000 in today’s dollars. Another client wants to create a portfolio value of $250,000 to ensure that her granddaughter will have adequate funds to attend college in 8 years. One client is seeking income, the other wants appreciation. Few people think about their future needs in specific terms and the types of return that will be necessary to achieve their goals. Beginning by defining the end benefit is a big step toward creating a realistic, goal-driven decision process.

Once you and the client have defined the purchase goals, part of the due diligence challenge becomes determining if this property meets those needs. Is it a necessary interim step toward a longer term objective, or does it provide the benefits he is seeking? I always like to ask a client his or her long term expectations for the property. What will be the value of this property to him or her in 5 years, 10 years, and so on?

A well-counseled client who manufactures electronic components was going into contract on a 23,000-square-foot metal office warehouse. When we discussed his expectations for the
building, he stated all the benefits listed in the sales brochure. Because the purchase was to house one of his businesses, we discussed the near- and long-term projections he had for that business. He quickly abandoned the first “wonderful opportunity” and began looking at larger, more substantial properties. He ultimately purchased a 50,000-square-foot tilt wall building in one of the most prestigious industrial parks in the Houston area. This property better served the vision he held for his company.

**Assessing assets and capabilities:**

After establishing the goals for investment, learn the client’s assets and capabilities. Assets not only include current properties and cash but also the ability to borrow and support negative cash flow. Defining current assets and borrowing capabilities early in the counseling process is critical. Borrowing capacity and borrowing comfort may be dramatically different. Never make assumptions about borrowing; a client’s tolerance can be affected by the terms of a loan and limits of liability. When discussing negative cash flow, always ask how carrying a negative will affect the client’s lifestyle. Divorces have been created by signing for liabilities.

Assets can also include skills that add value. Some skills are obvious, and some are not immediately evident. One client is a contractor whose assets include the work force and organization of her employees. Another has a brother who retired from the upper management of a major hotel chain. The two siblings have formed a partnership and are currently developing and owning hotels under that flag.

**Purchaser temperament:**

Finally, does the purchaser have the right temperament and personality for the requirements of the subject property? Not everyone can handle the realities of apartment ownership and the damages done regularly by tenants. Each real estate type has its own set of ownership challenges. Looking at any business or investment from the sidelines is very different than actual ownership. Making the determination if the buyer and the property are a good match needs to be explored during the due diligence process.

A favorite mantra of the Society of Exchange Counselors is, “there is no bad property, just inappropriate ownership.” Inappropriate ownership occurs when the owner’s goals, skills, assets, and capabilities do not align with the requirements of the property. Counseling a client to determining the appropriateness of the union of property and buyer should be a big part of everyone’s due diligence process.
Creativity, Patience, and Persistence
Steve Eustis, S.E.C., CCIM

Editor’s Note: Steve Eustis and Jeff Drinkard were the recipients of the 2016 Clifford P. Weaver Award given by the Society to recognize the most creative transaction of the year. The narrative below was provided by Steve Eustis when he submitted his application for the award. The editor assigned the title of the article.

In May of 2016, WVE San Angelo Investments, LP, sold a 2.12-acre tract of land to an independent emergency room company. While this was an easy land sale for a platted lot with all utilities next to a Comfort Inn and Suites, getting the land to that point was anything but easy, as you will see when the rest of the story is told.

In the 1960s the State of Texas and the City of San Angelo announced plans for a limited access freeway that would begin on the far east side of San Angelo, traverse through the middle of town, and terminate on the far west side—a big-city freeway in a little West Texas town of about 70,000 people. It created a lot of excitement in town.

In the early 1970s all the land was acquired. Hundreds of houses (including my grandmother’s) and dozens of commercial properties were purchased for the right-of-way and all improvements were removed. And then, there it sat for years—a swath of vacant land 500 feet wide running right through town for 10 miles! There were no funds available to build the freeway. I was just starting my real estate career, and I wish I had a nickel for every time I tried to explain to unconvinced out-of-town buyers that one of these days we were going to have a freeway right here. Only a few speculators bought land along the freeway because the joke was that none of us would see a freeway in our lifetime.

Finally, in the early 1990s, limited funds started being appropriated by the State of Texas; each year, a little at a time. They first started constructing frontage roads—a mile one year and a mile the next year—until about 2001, when funds were approved to complete the Houston Harte Expressway.

Before the freeway project was ever announced in the 1960s, an unqualified and underfunded speculator and his attorney had begun assembling large parcels of then-ranch land on the west side of San Angelo, the direction of growth for the City. The new freeway would go through the middle of their assemblage. After many years of holding the land and waiting for a freeway, a falling out with his attorney/partner, and scores of very poor decisions, the speculator filed for bankruptcy. His bankruptcy was filed just before the freeway was entering its final construction phase.
The bankruptcy trustee contacted me to list the property for the courts, and one of my first calls was to Jeff Drinkard, a fellow S.E.C. Member and friend. I explained the property and its benefits to Jeff, and he drove to San Angelo the next morning. Within a couple of weeks, we were under contract, and I was a partner, along with Jeff, his brother Mark, and Tom Gross, Jeff’s in-house attorney, in a land development project that would turn out to be the largest commercial development ever done in San Angelo. I did get permission from the trustee to be one of the purchasers without compromising my listing agreement.

The freeway land totaled approximately 272 acres, and our purchase also included non-freeway land on the east side of town totaling approximately 80 acres.

We had many challenges ahead: no entitlements; a large portion of the land was in the 100-year flood zone; an arroyo (dry creek) ran through the property; a 100-foot-wide strip of land running through one of our best pieces of land was owned in fee by a utility company for high voltage transmission lines; the former attorney/partner of the bankrupt speculator still had one-half ownership in about 50 acres, and he died in the middle of our transaction; the City’s 75-year-old former landfill was contiguous; and other problems kept arising. Jeff positively refers to things like this as “opportunities to create solutions for all involved.”

The prime tract in our acquisition was 15 acres at the intersection of the freeway frontage roads and Sherwood Way, San Angelo’s main commercial corridor, where the mall, restaurants, a new movie theatre, and so on are located. The problem, however, was that TXDOT (Texas Department of Transportation) owned about 7 acres of land that kept this prime piece of the property from having Sherwood Way frontage and access. Our contract on the purchase from the trustee was subject to us acquiring this TXDOT land.

I could write a book on the TXDOT issue but, in a nutshell, the tract had been labeled excess property by TXDOT and could be purchased by the contiguous property owner, which was still the bankruptcy trustee. The process required an appraisal to be ordered by TXDOT, but we had to pay for it. The resulting appraisal was unbelievable and suggested a price for those 7 acres of more than we were paying for the entire 272 acres! The ROW (right-of-way) agent in the district TXDOT office who was handling the sale was not in any hurry to help us complete the sale or look at the evidence we had that showed it was an unrealistic appraisal.

We hired a review appraiser who discredited almost every word of the appraisal, but TXDOT’s ROW agent would not budge. After about 9 months, and after pulling every political string I had, TXDOT finally agreed to allow another appraisal. The second appraisal came in at a value that we could accept. However, at a meeting at the TXDOT headquarters in Austin, Texas, where we met with the ROW agent, his district supervisors, several of TXDOT’s highest officials, and our attorney, we were told that the price was still the original appraisal amount! They were standing by one of their own, no matter how ridiculous it was. We sat dumbfounded as TXDOT explained that our written pleadings the last nine months had been to allow another appraisal, which they finally agreed to, but not that they use the value in the new appraisal as the
sale price! They said that would have been against their rules and that if we had included in our pleadings the fact that we actually wanted to use that appraisal to determine the purchase price, they would have denied our pleading! The next hour was basically a high-volume argument between me and the ROW agent. At the end of the meeting, Jeff Drinkard, who had not said a word the entire meeting, rose to speak. I wish I had a recording of him calmly delivering a speech of how disappointed this process had made him at the incompetence in the government, the lack of accountability and integrity at the highest level of this agency, and other words I’m sure were used by our Founding Fathers. I’m sure Thomas Jefferson was applauding!

A few days later I got an off-the-record call from the head of our TXDOT district office, who was also a friend of mine. He told me that the entire purchase process could start over and an official appraisal ordered if there was a change in ownership of the contiguous property, which was to be us! We closed on the entire property package with the trustee and immediately applied to TXDOT to purchase their excess property. They allowed me to select the appraiser—from their approved list—and we soon owned that property. We now owned about 23 acres of the most prime tract of land in San Angelo.

We overcame many other challenges, some of which I will quickly highlight:

PROBLEM: A secured hard money lender had a lien on about 50 acres and was in the process of filing for a lifting of the stay so he could foreclose.
SOLUTION: Jeff bought his note at face value.

PROBLEM: AEP (American Electric Power) owned a 100-foot-wide piece of land for their transmission lines through the middle of our prime piece.
SOLUTION: We offered to buy the land from AEP and give them a perpetual easement. I don’t think AEP had ever been asked to sell land under a transmission line, but, after scratching their heads over how stupid we must be, they smiled and took our money. We now had another four acres to add to our prime piece (subject to an easement to AEP), but when we sold the entire tract, that AEP land was included in the gross acreage, and we got about 4 times what we paid for it! A win-win.

PROBLEM: A sizable portion of our land on both sides of the freeway and along the Arroyo was in the flood plain.
SOLUTION: The freeway, now under construction, had thousands of yards of excess dirt that the road contractor was going to haul 20 miles to store. We allowed them to deposit it on our land if they would also spread it and compact it. Another win-win.

PROBLEM: This flood zone land was still designated on the maps as Flood Plain.
SOLUTION: We hired an engineering firm in El Paso that specializes in FEMA issues. They developed and applied for a CLOMR (Conditional Letter of Map Revision) which included an engineering design of not only raising the elevation of our low areas with dirt from the freeway but also cleaning out and deepening the arroyo, stabilizing its banks, and installing erosion
control measures. The CLOMAR was accepted by FEMA. Once the actual work was completed, we applied for and received a LOMR (letter of map revision), which revised the official Flood Maps. This was not an easy process, and it took about three years to get the LOMR.

PROBLEM: We had large land tracts with no entitlements.
SOLUTION: We began working with the City on platting, zoning, and all the issues of entitlements.

PROBLEM: No utilities or streets.
SOLUTION: We designed a layout of large tract lots that we could subsequently subdivide that minimized the number of streets and allowed us to only put utilities around the perimeter of the large lots. However, we still built over a mile of public streets with curb and gutter, two bridges, and almost three miles of water and sewer lines.

PROBLEM: It was going to cost millions of dollars to get the property entitled so we could sell it to users.
SOLUTION: I arranged a loan with First Financial Bank through its president Mike Boyd. Jeff’s personal signature probably added to the loan approval process!

PROBLEM: Time! This entire process was now into year three since we first went under contract, and we were burning through cash.
SOLUTION: We decided to market the property subject to all entitlements being complete. By the time we closed on the land, I had purchase contracts from the largest Ford dealership in West Texas and Shannon Hospital for an MOB and surgery center. By the time we finished all the entitlements, I also had purchase contracts from Home Depot, Circuit City, a shopping center developer for a Best Buy, Academy Sports, and other retailers. Subsequent sales were to several hotels, an Olive Garden, Furniture Row, the highest-grossing convenience store in town, a branch site for First Financial Bank, and several other end users for 2–3 acre tracts.

PROBLEM: We still had the 80 acres on the east side of town. It was in 4 large undeveloped tracts and located within a general area of VA and FHA homes. One 24-acre piece was located behind Howard College, our growing community college of about 2,500 students.
SOLUTION: We donated the 24-acre tract to Howard College for campus expansion, and we sold the remaining parcels in bulk to a residential builder.

I could detail many other aspects of this project, including a few acquisitions to better position our property; trades with the City of San Angelo for unrelated utility expansions they needed for land we wanted; our near-acquisition of a contiguous 75-year-old, closed City landfill; and many other stories. Maybe one day I will write a book about this project!

About five years ago, sales came to a stop. We still had considerable land available in the development, but economic conditions had changed. In addition, Jeff was reprioritizing his life,
and he offered me the opportunity to buy his interest at a very favorable price. Not wanting to risk the once-in-a-lifetime wealth I had accumulated from this project or go into debt on vacant land during an economic downturn, I chose to find a new partner: Gary Vandenberg and his client and attorney, Keith Walker. The economy improved because of the oil boom, and this new partnership is now profiting. We still have about 18 acres of inventory out of the over 350 acres we started with, so the goose is still laying.

One might conclude that this was a great and financially successful project, end of story. But more important were the relationships created. Jeff’s brother, Mark, has the engineer-wired brain in the family, and after the acquisition and for the next two years, Mark spent several days a month in San Angelo reviewing street and utility designs and overseeing their construction. He and I got to be great friends and I fondly called him “Cousin Mark.” We worked together on a tough and complicated project but had a great time and a million laughs doing it. Unfortunately, Mark passed away about five years ago, but he will always be a part of this story and a part of my life.

When you go into partnership with someone who named his company HF2M and the explanation for the name is “Have Fun, Make Money,” you better buckle up! We had fun, and we made money. Jeff has been the most influential mentor I have ever had. His real estate expertise is superb, but his faith, his fairness and integrity, his generosity, and his good will to all around him make Jeff who he is. Jeff and I are in another project together in the Austin area, and it’s also going to be a home run. I look forward to more business and personal adventures with Jeff.
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<thead>
<tr>
<th>SITUATION</th>
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<tbody>
<tr>
<td>1.</td>
<td>Counseling is:</td>
</tr>
<tr>
<td></td>
<td>a) Listening to what is being said and to what is being implied.</td>
</tr>
<tr>
<td></td>
<td>b) Advising potential clients, partners, or those you are doing business with what the current market conditions permit you to make happen.</td>
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<td></td>
<td>c) etc.</td>
</tr>
<tr>
<td>2.</td>
<td>Counseling is not:</td>
</tr>
<tr>
<td></td>
<td>a) Getting picked up in the attributes of a parcel of land or a business opportunity.</td>
</tr>
<tr>
<td></td>
<td>b) Telling the client how great you are.</td>
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<td></td>
<td>c) etc.</td>
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<table>
<thead>
<tr>
<th>POSSIBLE SOLUTION</th>
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<tbody>
<tr>
<td>1.</td>
<td>If you analyze what you are being told by the person you are talking to, and match that against what is actually happening in the marketplace, you will have an idea as to whether what needs to be done can actually be done in the current conditions.</td>
</tr>
<tr>
<td>2.</td>
<td>At the same time you are trying to analyze whether or not this person has the capacity and the malleability it will take.</td>
</tr>
<tr>
<td>3.</td>
<td>Early in my life as an exchangor, I paid for three or four major clients to go to Dick Reno’s six day exchangor’s class to get counseled. It was the complete way to get the job done. I did a lot of business with these people.</td>
</tr>
<tr>
<td></td>
<td>I have used books to help in counseling. The more a person understands the more flexible he or she becomes.</td>
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</tbody>
</table>
Strategy 24

Being Flexible Benefits an Exchangor

*Your chances for success as an exchangor increase with flexibility!*

<table>
<thead>
<tr>
<th>FLEXIBILITY</th>
<th>It is pretty easy to understand. The following situations have to do with geographical limitations. We are not advocating flexibility, we are explaining it.</th>
</tr>
</thead>
</table>
| GEOGRAPHICAL SITUATION | 1. If you have the flexibility to accept properties in exchange that are outside of your city, you have a bigger selection to choose from than someone who doesn’t.  
2. If you have the flexibility to accept properties in exchange that are outside of your state, you have a bigger selection to choose from than someone who doesn’t.  
3. If you have the flexibility to accept properties in exchange that are outside of your country, you have a bigger selection to choose from than someone who doesn’t. |
| ACCEPTABLE PROPERTY TYPE | 1. If you have the flexibility to accept two different kinds of property, say an apartment house or a commercial building, you have more chance of a successful exchange than a person who will only accept one of these.  
2. If you have the flexibility to accept five different kinds of property, say an apartment house, a commercial building, a motel, a hotel or a marina, you have more chance of a successful exchange than a person who will only accept two of these  
3. If you have the flexibility to accept a dozen different kinds of property, you have more of a chance of a successful exchange than a person who is not as flexible.  
4. The same is true for every other facet. |
S.E.C. Education Foundation News

Paul M. Winger, S.E.C.
2017 S.E.C. Education Foundation President

I am very excited and look forward to being the president of SEC Education Foundation for 2017!

The Society of Exchange Counselors has scheduled the following education programs over the next several months and I hope you can attend and participate as much as possible.

March 19, 2017 – Ultimate Syndication Workshop, presented by Gene Trowbridge, Esq., CCIM, will be taught in Tulsa, Oklahoma.

May 21, 2017 – Peter Karl III, Esq., will teach his Cutting Edge Strategies in Reno, Nevada.

September 10, 2017 – Ted Blank, S.E.C., CCIM, will present Understanding Your Client, a counseling course, in Indianapolis, Indiana.

November 12, 2017 – Creative Real Estate Solutions, a formulas course, will be presented by Ken Vidar, CCIM, in Savannah, Georgia.

The educational classes for the upcoming S.E.C. Meetings are posted on the S.E.C. Observer Upcoming Events website as we confirm them. We are working on scheduling education courses in regions where we will host S.E.C. meetings next year. Our goal is to have an education session locally at least four months prior to our meeting there in order to expand our presence and identify local people who may be potential guests.

We look forward to expanding our reach to new marketing groups, professional organizations, and individuals who are interested in bringing the best creative real estate education to their regions. Please visit our website, www.secedfoundation.com, to learn more about the courses and programs we sponsor.
VI. Society News Briefs

A. S.E.C. Marketing Conference
March 2017

S.E.C. National Invitational Marketing Session
Tulsa, Oklahoma
March 19–22, 2017

The S.E.C. National Invitational Marketing Session will be held at the:

Hyatt Regency Tulsa
100 East 2nd Street
Tulsa, OK  74103

Call (888) 421-1441 to make your reservation. Make your hotel reservations early, as we only have a limited number of rooms available. The cutoff date for reservations is February 24, 2017.

Visit www.haytregency.tulsa.com to learn about the hotel and www.visittulsa.com to learn about the 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 upcoming meeting.
Ultimate Syndication Workshop
Tulsa, Oklahoma
March 19, 2017

The S.E.C. Education Foundation and the Society of Exchange Counselors are pleased to announce that Gene Trowbridge, Esq., CCIM, will present the Ultimate Syndication Workshop from 9:00 a.m. to 4:00 p.m. on March 19 in Tulsa, Oklahoma.

Some of the highlights and subjects that will be covered include:

• Which Ownership Structure Is Right for Your Investors?
• Money Raising and the Securities Laws: Which Securities Laws Will Apply to You?
• Financing and Structuring Your Transaction
• Review of the Private Placement Memorandum
• Answers to the Five Most-Asked Questions about Being a Group Sponsor
• Mistakes You Will Want to Avoid

Attendees do not have to be licensed or invited to attend; it is open to everyone, and you may register online at www.secounselors.com by accessing the Education Only link on the homepage.

Mark your calendars now! Please visit the S.E.C. Observer at www.secobserver.com and click the Upcoming Events menu tab to access the calendar of events and view a brochure for the course.
VI. Society News Briefs

A. S.E.C. Marketing Conference

May 2017

S.E.C. National Invitational Marketing Session
Reno, Nevada
May 21–24, 2017

The S.E.C. National Invitational Marketing Session will be held at the:

Peppermill Reno
2707 South Virginia Street
Reno, NV 89502

Call (866) 821-9996 to make your reservation. Make your hotel reservations early, as we only have a limited number of rooms available. The cutoff date for reservations is April 28, 2017.

Visit www.peppermillreno.com to learn about the hotel and www.visitrenotahoe.com to learn about the 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 upcoming meeting.
The S.E.C. Education Foundation and the Society of Exchange Counselors are pleased to announce that Peter Karl, III, Esq., will present Cutting Edge Strategies – Tax, Asset Protection & Trust/Estate Planning from 9:00 a.m. to 5:00 p.m. on May 21, 2017, in Reno.

Some of the highlights and subjects that will be covered include:

• The Use of Single Member LLCs: The Preferred Way to Hold Investment/Business Real Estate
• The Latest on Family Limited Partnerships
• Information on Asset-Protected Estate Planning, Including the Use of Trusts

Attendees do not have to be licensed or invited to attend; it is open to everyone, and you may register online at www.secounselors.com by accessing the Education Only link on the homepage.

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

CONTACT: Jessica Ruggieri  
217-898-3813  
jessica.ruggieri@svn.com

Alex Ruggieri of Champaign, Il Named to Editorial Board of Real Estate Issues® Journal

Champaign, Illinois—February 7th, 2017:

Alexander J. Ruggieri, CRE Partner SVN-Ramshaw Real Estate of Champaign will serve as a member of the 2017 Editorial Board of Real Estate Issues, the peer-reviewed journal produced by The Counselors of Real Estate®. Members of the Editorial Board contribute to the content of Real Estate Issues journal by: recommending article topics; seeking and securing author commitments for future issues; authoring an article and/or reviewing articles submitted for publication. Real Estate Issues features dynamic, wide-ranging articles that address real estate trends and innovations and offers unique insider perspectives on myriad aspects of the real estate industry.

Professionally, Ruggieri specializes in Commercial Investment sales and counseling with corporate clients.

The Counselors of Real Estate, established in 1953 and headquartered in Chicago, Illinois, is an international professional organization whose members provide objective, reliable advice and counsel on matters affecting all forms of real property in the United States and abroad. Members include ranking representatives of real estate consulting, financial, legal and accounting firms as well as leaders of Wall Street, government and academia.
Note: For additional information on Alex Ruggieri or SVN-Ramshaw Real Estate, contact Jessica at 217-898-3813 or visit the firm’s website at www.ruggieriteam.com.

For additional information on The Counselors of Real Estate or the CRE credential, visit the CRE website at www.cre.org
VII. In the Spotlight

A. Charles S. Steffel

Biography

Charles S. (Steve) Steffel, S.E.C.

Steve Steffel was born in 1943 in Defiance, Ohio, a small town in northwest Ohio. His parents lived in a smaller rural village of 75 homes near Defiance called Brunersburg, where he grew up among farmers and factory workers. His playground was the nearby river, where he kept his rowboat and enjoyed fishing. The banks of the river provided good hills for racing homemade carts. Backyard baseball was a way of life.

Steve’s grandparents traveled via a wind-powered sailing vessel from Bohemia to the United States in the mid 1800s. Steve recalls the small storage trunk that was stored in the garage that he was told had contained all of their possessions when they settled in Brunersburg. Steve’s father was born in 1881 and his mother in 1914. They were married only two years before his birth (when his father was 62 years old), so he says he thinks he is “lucky to be alive.” With the age difference of his parents, much of his training and encouragement came from his loving mother. Steve’s father worked as a section hand on the B&O Railroad, repairing the tracks by hand. His mother was the housekeeper and took odd jobs to supplement their modest family income. Having lived through the Great Depression, Steve’s father taught him to be thrifty and to save rather than discard. To this day he finds it difficult to discard anything.

Steve’s education began in a two-room schoolhouse that contained 8 grades and no indoor plumbing. There he had teachers who saw his potential and had a profound effect on him, helping him recognize his ability to be successful. In fourth grade, the school was expanded and modernized into four classrooms and a gym . . . along with indoor plumbing.

With his parents guiding him—and a need to supplement the family income—Steve learned organizational skills and showed an entrepreneurial spirit at an early age. He recognized that his “village” did not have newspaper delivery, so he set up and ran a paper route. He sold Christmas cards door-to-door, and when his father purchased their first power lawnmower, he began a lawn mowing service for neighbors.

Steve was a leader in his Boy Scout troop and obtained the rank of Eagle Scout. He enjoyed the outdoors, and summer camp was an annual highlight. In 1958 and 1959 he served on the camp staff as a trading post manager and as a dining room steward.

In high school Steve was interested in taking all of the business courses that were offered. There he met another teacher who encouraged him to develop his sales and marketing skills. He
became active in the Distributive Education program, which contained classroom training in retailing and a program for on-the-job training after school. The teacher recommended Steve for employment at a local men’s clothing store, where he worked 17 hours per week for the going rate of 65 cents per hour. Steve was given a lot of responsibility in the store, and he worked there beyond high school and into his first two years of college. For the second two years of college, Steve accepted a position on the local newspaper staff, where he did layout and sales of display advertising.

The Distributive Education program was part of a national club known as the Distributive Educations Clubs of America (DECA). Students were organized into local, state, and national chapters. With the encouragement of his teacher, Steve ran for office at conferences in Ohio and nationally, and he was elected to vice president in Ohio and vice president nationally.

This demonstration of leadership qualities had a significant impact on Steve’s career path. First, Steve became one of the first recipients of the DECA Scholarship/Loan Program, making it financially possible for him to work his way through college. Second, a recruiter for Marathon Oil Company attended the DECA functions and eventually offered him a position upon graduation from college.

Steve lived at home and worked at the clothing store and newspaper while attending Defiance College, where he obtained a B.S. in Business and Economics degree in 1965. Upon graduation, he enlisted in the United States Army Reserve and entered six months of basic training and active duty at Ft. Knox, Kentucky, followed by 5½ years of reserve duty on weekends and annual summer camps.

Steve’s employment at Marathon Oil Company began in January 1966. He started as a sales representative, calling on retail service stations and distributorships in northwest Ohio. In less than 3 years Steve was transferred to the home office in Findlay, Ohio, as one of 4 members of the Investor Relations Division. There he became a student of the company’s finances and accompanied security analysts on interviews with the officers of the company. While at Marathon, Steve attended Bowling Green State University and obtained a MBA degree in 1975. He was privileged to attend Marathon’s Advanced Management Training Program and held 9 positions in his 11½ years with the company. In his final two years, he served as vice president of a wholly owned subsidiary that initiated the private-brand Speedway gas stations/convenience stores in Michigan and Wisconsin. There he managed 120 Michigan locations.

Steve’s entrepreneurial spirit surfaced, and he decided he wanted more than a corporate career. So, he gave his resignation notice, not knowing what was next. He searched for a business to acquire in Florida and in Georgia but did not feel comfortable with any of the opportunities that surfaced. Then he visited an old friend in Indianapolis, Indiana, and decided to slow down and search in that area.
He couldn’t find a business to buy, so he started his own. He formed Metropolitan Petroleum Corporation, leased 3 vacant service stations, and opened them as self-serve gas and pop shops that he called Metro Petro. He was undercapitalized, and his suppliers did not come through with the promised promotions. Within a year all 3 stations were closed, and Steve was left with a credit line he could not then repay. Steve says the fundamental lesson he learned is, “you cannot substitute expertise for capital.”

What he did realize was the benefits of owning real estate, and he decided to find a way to invest in it. Steve quickly studied for and obtained his real estate broker’s license and started out as an agent with a small firm doing both residential and commercial real estate. He began, like many of us, by getting as many listings as possible. After a year Steve opened his own, small, one-man real estate firm and became a maverick in town by applying creative solutions and formulas to his clients’ transactions.


Over the years Steve has been actively involved in his local market, serving as both president of the Indiana Real Estate Exchangors and chairman of the Commercial Division of the Metropolitan Indianapolis Board of Realtors.

In 1989 Larry Browning and Steve partnered to form Evergreen Investment Corporation, a real estate brokerage and investment company. Steve enjoyed the shared office environment and the ability to brainstorm with Larry and work on creative transactions. Together they did land assemblage near the airport, formed a partnership to acquire a shopping center, and acquired other income-producing properties. Larry made the decision in 2001 to stop making the daily commute to Indianapolis and moved the Evergreen Investment office to his hometown of Shelbyville, Indiana. Steve then moved his office into Levi Investment Realty in Carmel, Indiana.

In addition to traditional brokerage, Steve has been involved in a wide range of creative real estate transactions over the years: land acquisitions, apartments, industrial, retail, and almost everything in between. Like so many S.E.C. members, Steve has transitioned from brokerage to being a principal/partner in multiple properties. One property class Steve wishes he would have done more investing in over the years is mini-storage. Steve prefers working within smaller partnerships; he likes being hands-on and putting his organizational skills to good use. Steve’s fundamental belief is in sharing the benefits of a transaction according to the contribution of each participant.

One of Steve’s first creative transactions as a principal was a land assemblage where he put his creativity to work by using options and seller carryback financing to acquire interstate frontage
land. He took a partner to help carry the note and eventually sold off part of the property to return the investor partner’s capital. Now, 25 years later, they still own and farm some of the land and have retained the billboard rights, providing a nice cash flow on a free and clear property that will have a large upside when it is developed.

Steve feels very strongly that God’s hands have always been there, guiding him along the way. He has had many spiritual life-changing experiences, though he didn’t always see them at the time. Steve is an active member of Second Presbyterian Church in Indianapolis where he is a deacon and an elder. Steve has been the community lay director of the Indianapolis Great Banquet for over 10 years, having organized and supervised 5 weekends per year. The Great Banquet is a Presbyterian form of a 72-hour retreat that was created by the Roman Catholic renewal movement in the 1940s. He attended this retreat with Larry Browning in 1989, never thinking that one day he would be leading a similar program that needed his strong organizational skills.

Steve married his lovely wife Carole in 1992 and is blessed with 2 stepdaughters and 3 granddaughters. All are residents in the Indianapolis area, providing for a wonderful family environment.

Steve considers membership in The Society of Exchange Counselors a major blessing in his life. He has built lifelong relationships and friendships because of his active participation in the Society. He enjoys attending meetings to keep the “creative real estate juices flowing” and to spend time with his extended family.

Talking to Steve, it won’t take anyone long to figure out how important family, relationships, and religion are to him; how compassionate he is; and how willing he is to help others. Steve is truly a quality individual and exemplifies what it means to be a member of the Society of Exchange Counselors.

No matter what Steve has done, he has always felt blessed, that he has always had the most important job in the world, and that he has always had a guardian angel looking after him. He believes everyone is here on earth for a purpose and that we all need to be good stewards of our time, talent, and treasure.

Steve feels with stewardship comes responsibility that never ends. Contemplating estate and succession planning, Steve is looking forward to using his gifts as he moves on to new challenges that will write the next chapter of his amazing journey.
“If I Only Had One Listing”

Cliff Weaver, S.E.C., CCIM

Editor's Note: This article first appeared in the October 1975 issue of the Real Estate News Observer.

I would make sure it was a winner: If I had only one listing, I certainly would not have any excuse for not having all the homework, research and data pertaining to the listing and the area where the listing is located.

THE 80% AND 20% RULE

It is a fact, 80% of the work in converting a listing to a closed transaction is in the area of counseling. However, more transactions are lost due to a lack of facts than any other single factor. Thus, it does not take any assumption to recognize the importance of doing the homework on a listing.

Attorney Malcolm Misuraca said, “Most court cases are not won due to the fact one attorney is more clever than the other, but court cases are won because one attorney has superior knowledge of the facts in the case.”

“In Real Estate,” said San Luis Obispo Realtor, Bill Broadbent, “a listing worth accepting is a listing worth doing the homework on.”

WHY FLY ON ONE WING?

Why is it important to do the very best work in the research on a listing? The answer to this question is simple but carries a high level responsibility for the listing agent; it gives the client facts to base a responsible decision on rather than a hunch.

It is not the purpose of this article to detail the homework required in various listings. The intent of this report is to detail what would be done to market the listing if the Broker had completed the preliminary counseling and actually done a responsible job in securing the necessary homework prior to entering the marketplace.

CREATIVE MARKETING

The following, not necessarily in order, are offered as a suggestion:

1. The listing agent should take an hour of uninterrupted time to establish a marketing plan. This plan would be written and detail what work the agent should do to best market the listing.
2. Each person in your office should be personally informed about the listing, the owner’s objectives, and the type of terms the owner would accept. This will allow those within your own office to have the benefit of knowing the total details on what your SELLER is attempting to accomplish in the sale. This will also allow those within your office a better chance to FIELD calls from “Ads” or “Sign Calls.”

NOTE: The objective is to make sure your sales associates are very familiar with your client’s objectives as well as the comprehensive facts gathered on the property.

3. Should the owners adjoining your listing be contacted? YES! And, contrary to a lot of opinions, so should owners within a reasonable radius of the subject property. Of course, you will not only have the benefit of a chance at a “one on one” sale, but also you’ll have the benefit of the input of facts gathered from the neighbors. This input might give you the extra edge of superior facts when dealing with the ultimate client. A side benefit is the fact you are again “eyeball to eyeball” with other buyers and sellers of real estate.

4. The listing agent should contact at least ten brokers who specialize in selling listings of the same type as you have listed. Don't just mail the data to these agents. Personal contact with these specialists will allow you a greater chance to have these specialists work on your listing. Again, their comments, ideas and suggestions will benefit you on the marketing of the listing.

5. A trip to the title company or abstract company will give you a list of recent comparables. Don't stop there: comparables are important as far as justifying your listed price. However, perhaps more importantly, the names of the BUYERS and SELLERS don't have to be sold on the area as they have already expressed an interest in the area via equity ownership. Again, if you want to lose, mail the data to these clients. However, if you want to be a winner, it's “eyeball to eyeball.” Again the listing will have the benefit of data input from those who have owned or own property in the area of the listing.

6. It is now time to compile a list of the type of buyers who would be interested in the listing. Do not, at this point, list the names of BUYERS but attempt to list the types of BUYERS (i.e.: if you had a parcel of land, list builder, developer, corporate investor, land broker, R.E.I.T. institutional lender, etc.).

After you have completed the list of types of owners, list all of the names of people or corporations under each category (i.e., with the same land example: Builders – ABC Construction; XYZ Development Company; The MNO Trust; John Caldwell, A.I.A.; Fred Bigwig, Land Engineer; Norm Pencil, Investor). Now you have a list of potential clients to contact.

Think about who calls on the type of client who would buy your listing. By thinking about who calls on the type of buyer who would purchase your listing, you now can compile a list of further individuals to contact. Let's assume you listed a professionally zoned lot. Think about who calls on professionals. These people should be contacted and given data on your offering. These people contact professionals on a daily basis. If you establish a contact with the person who calls
on professionals on a regular basis, you'll soon find out what professionals are looking for a new location. This fact is based on the knowledge every beer and liquor distributor or sales representative knows what bars and liquor stores are for sale. Do you think the person calling on doctors and dentists knows what doctors or dentists are thinking of relocating?

People love to help! Recognize that people love to help solve a problem. Don't be afraid to give everyone a chance to help solve the problem. A brief talk with a banker, a title officer, lawyer, a C.P.A., as well as a fellow realtor will cause many to spend a few moments trying to find a buyer for your listing.

Certainly, there is no end to the list detailed above. The idea is to make a plan prior to jumping into action. This plan can make a lot of sense when put into action. However, the choice is up to you. Do the work (and it's work) or flip the listing on the multiple listing service, slip an ad in the paper, pop a sign on the property and hope and pray.

**Clifford P. Weaver, S.E.C., CCIM (San Jose, California)** was a member of the Society of Exchange Counselors. Mr. Weaver personally administered the real estate interests of multiple partnerships, corporations, and joint ventures throughout his career. His articles appeared in the leading national real estate journals. He was named S.E.C. “Counselor of the Year” in 1968, and was the 1975 President of the Society. He authored articles and books on Broker Estate Building and was a founder of the original S.E.C Real Estate News Observer. He created a real estate education program on Broker Estate Building and taught throughout the nation in the 1970s. Known for his creativity, good nature and fun-loving spirit, today, the S.E.C. honors his name with the Cliff Weaver Award for Most Creative Transaction of the Year.
“Getting Cash Fees in Exchanging”

James Misko

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

Cash is not a forgotten word in exchanging. It is not a bad or dirty word. Like many courses of events, exchanging sort of took root in Oregon about 1960 – and while slow to grow and prosper, by the turn of the decade it had become something entirely different.

In Eugene, in only 10 years, it went from 6 people to 60 people. It went from no trades in 2 years of meetings to $5,000,000 in closed exchanges in 1970.

Of the early philosophers of trading many are gone. All of the early techniques and forms have changed. During this metamorphosis it became necessary to concentrate on technique, and not on result – and the classroom was in the field.

There were no classes on “How To” or “Why To.” We learned by doing and making mistakes. Those of us who saw something we liked in exchanging leaped in. In order to learn exchanging we had to do it, and not being adept at it we had to do it every chance we had so that we could get good at it.

Our passion was for the opportunity to learn this new knowledge and the other considerations were often thrown to the wind. One of those considerations was the necessity of a cash commission. We listed at 5 or 6% and took paper, property – real or personal, or a promise. The goal was to learn to exchange – trade. They began to go together. Escrows awakened to this new technique and a foundation was laid by the traders whereby they didn’t care what the commission was as long as they got it somehow.

All of us were still selling and the cash commissions from that aspect carried us while we learned this new technique. We were enthralled. It was an exciting prospect. To be able to exchange anywhere in the State, the Nation, the World. We glamorized it and pushed people into it. We wanted to share all the glories of a national market and the aura of the "big time." The glamor of closing a deal in Phoenix or L.A. or Dallas and of clients flying in to close an exchange.

During this time various techniques of exchanging evolved and basically split into 2 directions. Reno and the people theory and NIREB and the numbers theory. As these camps became stronger and put out courses and classes on their techniques, a body of knowledge began to
assemble that allowed a person to become very knowledgeable and actually specialize in exchanging.

It was at this point that the carry-over practice of taking anything for a commission in an exchange began to take its toll. Good Realtors who had done well on selling for cash fees and exchanging for paper or equities were now concentrating on exchanging, and as their cash sources dried up and their alligator equities multiplied, they found themselves in trouble. Many of them folded up and moved away.

As exchangors incomes began to reach unheard of highs – $30,000-$50,000 to $100,000-$200,000 – a year, their overheads grew like topsy and no one was paying much attention to the economic facts of life. Enough cash had to be generated to pay all the bills.

Generally, the people who took to exchanging were the giants, the cream of the crop: the intelligent, ambitious, open-minded individual who saw not only a better way to serve his clients but to make better use of his talents, and create a larger income for himself. Those people are here today. And it is this day that we shall start the last phase of this cycle. The first phase was recognizing that exchanges were possible, and that they were highly useful in solving clients’ problems.

The second phase was education and practice: studying exchanging, learning techniques, formulas, solutions to problems, starting on counseling, changing customers to clients, commissions to fees, going out and writing exchanges and closing them.

The third phase was specialization. Gaining a great body of knowledge and becoming a professional with skills unknown to the average Realtor. Developing a language and a prescribed course of study with recognized certifications and designations such that, at the end, all the world knew you to be a pro.

Now we are destined to complete that cycle and finish and polish that craft, that profession, to the high gloss intended for it and its practitioners.

Those of us doing exchanging must now start to derive cash fees. We must not only ask for and get cash fees, but we must also start to conduct our business and ourselves such that we are not looked upon as "swingers" who make $100,000 in paper and equities but cannot pay our rent and phone bills for lack of cash.

I say to you today, I have been one of the worst offenders. I have talked to many groups, taught many classes, attended many classes, all of them devoted to the first 3 phases. I became the first Certified Property Exchangor in Oregon, and then the first Certified Commercial Investment Member. I was an early member of the Society of Exchange Counselors. None have attended more classes on real estate in the last 10 years than I have. I have seen my financial statement and my income grow to heights that as a school teacher I did not believe existed.
Over the past six months, I have come to realize that too many exchangers of my acquaintance have fallen on hard times. So, let me answer the question: "How do you get cash fees in exchanging?

No. 1: Mentally prepare yourself that you are going to be paid in cash for your services.

No. 2: In first and second contact with client, and at any time they bring up the subject of your charges, spell it out in C A S H. Don't worry about it. Let them know you are a professional who commands cash in the marketplace, not discarded equities or slow pay paper.

No. 3: If they ask how they are to pay your fees, look them in the eye and say, "How do you pay your attorney, or your doctor or your accountant?"

No. 4: If you are just taking the listing, suggest they start saving to pay closing costs and your fee in cash.

No. 5: Put them on a counseling fee basis paying you a monthly retainer that will be credited toward a later fee.

No. 6: If the client asks if he can owe you the fee on a note, think about it. Have a standard answer for that approach. "Yes. My fee, if you pay with paper, is 11% instead of 7%, and it is at 10% interest, all due 5 years." When he says "My Gawd, I can borrow it from the bank at 8-1/2%," you say, "Fine, why don't you do that?"

No. 7: If they say they cannot afford to pay you in anything but equity, say "We can't afford one another."

No. 8: Sell the client on the benefits he is getting from the exchange and why he should pay cash for those benefits.

No. 9: Keep reminding yourself that this client would probably not offer paper or property to any other professional for services or goods. Why should you have to take his offerings unless you want to?

No. 10: Look for exchange transactions that not only solve your client’s problem but also have cash hidden in them. Look at these examples:
F & C properties.
Properties that can be refinanced.
Hard money loans in your area on equities.

No. 11: How about the big fees? - above $10,000
A) Cash down payment 20 - 30%
B) Balance at high interest-short term  
C) Up fee to cover discount: 11 - 15% instead of 7%.  
D) Secure it on property - real or personal.  
E) Take group of smaller notes for easier handling - to exchange or discount.

No. 12: Educate the other brokers. Cash for cash - kind for kind.

No. 13: We can all get back to cash fees if we really want to. We led ourselves and others away from cash fees – we can lead ourselves back.

**The main rules to remember are:**
A. Think cash fee when counseling  
B. Expect it of client  
C. Ask for it  
D. Do not alter your stand unless you wish to.

This report was given to members of the National Society of Exchange Counselors at a production meeting in Moorea, the society islands near Tahiti. Mr. Misko was asked to research the problem of "Few Cash Fees in Exchanging" and this report is the result of his research.