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Welcome to the Summer 2021 issue of the *S.E.C. Observer*. In this issue, Bryan Neal, S.E.C., 2021 President of the Society, outlines how a brainstorming session resulted in a *meeting of the minds*.

Brandon Sanders, S.E.C., provides an example of his *Sander Web*, a creative way to manufacture transactions; Jason Mittman, S.E.C., CCIM, explains *why there is power in the ability to say no*; Brandon describes a *real-life three-way exchange in process*; Ron J. Robinson, S.E.C., cautions that we *should heed the clarion call*; and Steve Fithian, S.E.C., 2021 president of the S.E.C. Education Foundation, gives us an update on the foundation’s activities. The *Society News Briefs* section includes information about our upcoming meetings in Chattanooga, Tennessee, and a presentation by Charles E. Sutherland, S.E.C., of his *Creative Real Estate Formulas Course*. You will also find information about the upcoming S.E.C. marketing session in Houston, Texas, in January, and immediately prior to the meeting, Gene Trowbridge, Esq., CCIM, will present his *Syndicating and Crowdfunding* course.

Rod M. Stewart, S.E.C., is featured in memoriam in *In the Spotlight*, in honor of his service to his community and the real estate industry. In the *History Files*, Ted Blank, S.E.C., CCIM, describes why *the 45-day identification period in an exchange is a pressure cooker*.

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 email at sec@secounselors.com.

Jackie Hellingson  
Editor, *S.E.C. Observer*
I recently attended a brainstorming roundtable session with a group of businessmen. In attendance were commercial real estate practitioners (including several SECs), a residential real estate powerbroker, a health-care professional, an IT engineer, and a builder. This was a fairly diverse group with a wide range of ages that provided for different perspectives.

The purpose of the session was to discuss the state of the economy, commercial real estate, government initiatives, macroeconomic factors at play, and health care during COVID. I think we can all agree that these are interesting times—an unprecedented commercial and residential real estate market, low interest rate environment, uncertainties regarding taxes and government policies, looming inflation, product shortages and supply chain concerns, a huge number of jobs with not enough people willing to fill them, and a pandemic that is not quite yet behind us. I thought it might be beneficial to share some of the highlights and takeaways of what we discussed.

- **The housing market is on fire, and that is not projected to change for the next 2–3 years.** Over the last two years, Texas has seen its median home price increase 27% to $310,000. There was a drop to 1.7 months inventory versus 3.7, and the average home is now closing above list price (100.5% close to list). I’m sure many states are witnessing similar situations.

- **There are several factors driving our housing boom.** (1) jobs; (2) more homebuyers—in part because of the addition of millennials coming of age who are now ready to purchase; (3) low interest rates; and (4) an influx of people relocating from other states. Now, we (or at least I) normally don’t pay much attention to housing trends, but households and jobs drive market growth and the demand for ancillary services and goods, which in turn correlates to our business.

- **Despite a common belief otherwise, China is not becoming the dominant power.** There were several factors given to support this opinion: (1) the United States has a working age population that is growing (whereas China’s is declining); (2) GDP in the United States is $60,000+ per capita vs. $10,400 for China; (3) US debt is 164% of GDP vs. 222% for China; (4) although the US savings rate is lower than China’s (31%), the United States has increased from 5% to 14% because of stimulus; (5) household formations are going up vs. down in China; (6) there is a 3 million unit housing shortage in the United States vs. 1.4 million empty units in China; and (7) there is uncertainty
about the China Communist Party vs. the (somewhat) more certain political environment in the United States.

- **Although commercial real estate feels frothy, we may not be headed for an immediate correction.** There is still plenty of cash looking for deals and a limited supply of quality properties on the market. This was a clear observation from our recent meeting in Newport Beach. Multiple offer scenarios on commercial properties seem to be the norm, with many properties trading at, or in some cases above, list. Low interest rates continue to support this buying fever, which stands to last for a couple years.

- **Inflation is here.** Prices are rising for many goods and services, and there is no immediate relief in sight. The US inflation rate was at a 13-year high of 5.4% in September 2021. It was suggested that this number is much lower than the actual inflation. When using calculations used in 1980 (since that time, various adjustments have been made to manipulate the numbers to understate actual inflation) the real inflation rate was found to be 13.4% (source: shadowstats.com). The Fed is predicting 2.2% inflation for 2022–2023, but no one believes that number. The Fed is no longer regularly reporting M2 money supply, but it has increased from $13.1 trillion in Sept 2016 to $15.4T in Jan 2020, to $20.8T in Aug 2021. Add to that $1.5–5.0T in additional potential spending being debated in D.C. right now. The writing is on the wall when it comes to inflation.

- **Although COVID is in decline, it is not going away.** Cases and hospitalizations are on the decline, but we are going into the season that typically sees increases in viral infections. Booster shots are going to become the norm, much like flu shots. Vaccine mandates are segregating our society and presenting new challenges for businesses, regardless of whether you are in favor or not of the vaccines.

- **We are not yet headed for another Great Recession/Depression.** Although it might seem like the deck is increasingly stacked against us, a closer look at previous economic downturns suggests otherwise, at least for the near term. Previous causes of a depression were identified as follows—stock market crashes, decrease in manufacturing orders, control of prices and wages, deflation, high oil prices, loss of consumer confidence, and high inflation.

Some signs to watch for a pending recession/depression are worsening unemployment rates, rising inflation, declining property sales, and increasing credit card debt. To those concerns, here are the responses: current reported unemployment is 4.8%, and there are plenty of jobs available; inflation is rising but is not yet at truly alarming levels; property sales are near all-time highs; and credit card debt has been in steady decline since 2009. When considering the current data and comparing them to previous major
downturns, it seems that we might be in the clear a little while longer. That said, we all share sentiments of something coming, but we are not sure where or when. The mantra is, “Proceed with caution, but proceed.”

Now, I feel I must provide a disclaimer that the above are personal opinions based on the available data and perceived business climate at this time. It will be interesting to look back a few years from now and see whether our projections and opinions hold true! However, one statement from our meeting really stuck with me: “Every problem creates an opportunity. The bigger the problem, the bigger the opportunity.” We, as SECs, see the world and creative real estate in a different light than most of our peers. We are experienced, successful professionals who are well equipped to see the opportunity in every potential scenario that might come our way. So, while we can’t control or fully predict what might be coming down the pike, we can control how we react and adjust to it, and we can seize the opportunities it might present!
Real-life 3-way exchange: Path to cash or down and out? Brandon has a former restaurant in Kansas he’s shopping with. Value is $1,200,000 with $500,000 debt. He liked it as a STNL over the last 7–8 years but doesn’t like the return near as much when it’s vacant. He’s learned real estate always has cash flow, but it can be either negative or positive and he prefers the latter. His goal is cash flow for this partnership. Most options he sees available are cash only, so he is looking for a way to get to cash or primarily cash. Gary has a gas station in New Mexico valued at $380,000 free and clear and cash up to $1,500,000 with available financing. It’s a 10% return currently, but the tenant has given notice and will vacate at the end of the term in 12 months. Brandon offered an exchange to Gary for the restaurant. Although it’s not Brandon’s end goal, this option would provide short term-income and a smaller free and clear property, pay off existing debt, and put a little cash in Brandon’s pocket. Gary is looking to move up, but he’s not extremely excited about the offer. Sam saw Brandon’s offer to Gary on the SanderBoard wall, and he wants it. Sam has a note at $1M; it’s strong and will be stable for years, but Brandon’s not really a note guy, so he’s not that interested. Gary sees the note and thinks, “Now that’s very interesting; I really like notes.” However, Sam has no interest in Gary’s gas station.

So, nobody got want they wanted . . . but Brandon decides to take Sam’s note. Brandon now has a strong existing $1M note and has created a 1st position note on the Denny’s for the remaining $200,000 with favorable terms (Sam could also get financing if Brandon wanted cash to pay off the existing debt). Sam now has the restaurant with very low leverage, and he’s happy.
Brandon takes his new $1M note and uses that as a trade for Gary’s cash and gas. Gary gets the note at $1M and gives Brandon $380,000 in free and clear property plus $620,000 cash. Brandon pays off the existing debt with the excess cash. Gary’s now happy.

At the end of the day, Sam has the restaurant and a new tenant who substantially increases his cash flow and adds value to the property.

Gary has the $1M note and will use that to trade into an even larger property as down payment.

Brandon paid off the existing loan and now has $400K cash, $380K F&C equity, and a $200K note in 1st position at 20% LTV. Brandon has one year of cash flow to figure out plans for the F&C property; he also has cash and a secure note to trade. He is searching for two to three separate properties using these equities as down payments.

***Extra Credit***

Option the Payments: Brandon wants to stop the eat and Sam wants time to search for a tenant; both parties need to find a solution to meet each goal. Another option they discussed was for Sam to option Brandon’s Denny’s while he searched for a tenant. Most important to Brandon was to stop the $5,000 per month eat while he searched for another deal. Sam’s note pays $5,000 per month. Sam just options his payments toward the Denny’s and has control while he searches for the replacement, and Brandon stops the bleeding.
The Power of No

Jason Mittman, S.E.C., CCIM

We have all heard of the power of “yes.” But what about the power of “no”? Recently, I read the biography *Snowball* on Warren Buffet.

There are many unique attributes that have made Warren Buffet one of the greatest investors of all time: his ability to ignore criticism, his long-term focus, his remarkable ability to devour his way through volumes of books without distraction, his detachment from emotion for investing, his tremendous frugality, and much more.

Buffet does have something we can all replicate. Not easily, and very achievable with great return for the effort: the ability to say the word “no.” “No” is quite possibly the most valuable word in the English language. “No” is a great negotiating tool, a time saver, a deal saver, and perhaps even a life saver. I have often bemoaned of the precious commodity of time and the importance of guarding it. “No” is your most reliable tool to guard time.

Gary Keller, of Keller Williams, uses “no” as his default answer. He does not spare the use of “no”; instead, he recognizes the more things he says “no” to, the more he can say “yes” to those things that he really desires to invest in. If you use “no” as your default word, when you do say “yes,” those around you will see it as a noteworthy and significant commitment by you.

There are, as with all things, exceptions and caveats to the firm “no.” As Derek Sivers suggests, if you’re starting your career, do the opposite and say “yes” most often to create basic building blocks. As you grow, you will find the need to say “yes” to everything rapidly declines. It is up to you to determine that point in time. Rely on your gut instinct, review your calendar commitments, and review others’ advice to determine when it is time to switch from a default “yes” to a default “no.”

For deals, imagine if you used “no” as your default and were renowned for it in the brokerage community. Sounds bad? What if you combined that “no” with a brief explanation *why* you turned down the deal and combined it with what you were looking for? Brokers will continue to send you potential deals and take it very seriously when you tell them “yes.” They will appreciate that you took the time to provide feedback along with your “no.” *What you are looking for* is language that can be cut and pasted and that will keep you focused on what you find best while quickly providing your “no.” Is the data on the deal accurate, and do the facts support the fundamentals of “your” kind of deal? If it is sound data and the answer the data provides is “no,” than pass on the deal.
Don’t force or ignore the data, convincing yourself that you can make it a “yes.” Rely on the data as a tool for “no.”

I am developing a data-driven analysis to weight as many factors when reviewing a deal as possible, measuring everything from demographics and area vacancy to parking and signage. All those data points, systematized, can help you refine your “no” or “yes” quickly. A strong set of data points and acknowledgment as a person who sticks to their model equates a “yes” with something of value to investors and lenders. They will recognize your default is “no” and that when you come to them with a “yes,” it is a strong opportunity.

A while back, I was on a long run with a friend, Weston, whom I regularly trained with. Before this particular run, over the past couple of months, he was daydreaming about he and I competing as a team in the Texas Water Safari. The Safari is a nonstop endurance canoe race in the dead of summer that starts in San Marcos, TX, and finishes 260 miles downstream after crossing a bay in the Gulf of Mexico. Weston was pushing hard to get me to commit and do the grueling event with him. I knew many people who competed in the Water Safari and had toyed with the idea myself. In the past, I chose not to do it because it just did not appeal to me. I, the ardent competitor always looking for the next over-the-top mind-and-body-breaking challenge, continuously backed away from the Safari. It just wasn’t my thing. Weston was pushing hard. The great adventure, our combined endurance strength—if not now, when? He pressed hard to get a “yes” from me. I stopped mid-run, looked at Weston, and said “no.” I explained I have zero interest in suffering from a wet, blistered rear-end and battling bugs and exhaustion. I do not regret that “no” for a single minute. We could have trained for half a year, bought gear, recruited a support team, and likely finished. All that suffering, and we would have “finished.” I made the right decision with “no.” I choose my battles and the use of my time, and so should you. I am a long way from being exceptional at saying “no” and continue to add more “no’s” to my repertoire.

The more you commit to, the less productive you are for each commitment, with few exceptions. If you are going to do something that requires significant resource allocation of your time and capital, understand it comes at the cost of all the other things you instead could be doing. Is it really what you want? Simply say “no.” That way, when something does come across your desk, you will have the time, desire, and capital to say “yes.”

A famous and very successful venture capital firm has a policy where it is required that someone argues against the deal. Someone at the table takes the contrarian position. It is then up to the person who brought the deal to work through the “no”; to fight past objections; to analyze the deal for flaws; and to make sure that the investment of reputation, time, team, and money on the deal is a better investment versus the next best alternative. Having the built-in “no” to fight through increases thought and due diligence for making a wise decision.

My real estate mentor, Robert Jorrie, had a policy at his law firm called the XXX Rule. If a client obtained three X’s on their folder, they were politely asked to find another firm to work with. How often do we hear at national SEC Marketing Meetings critiques of a presentation along the lines...
of “How long have you had this deal? Why can’t you get it done? Why are you putting up with this client?” At what point is the deal and the current client deserving of a “no”? If you cannot get the deal done for the client and they will not listen to your advice, shouldn’t you say, “I can no longer be of service to you?” Is it not in your best interest, and the client’s, to make progress? The XXX Rule is your “no.”

What parameters can you put in place to help create a “no” for a type of client or type of deal, meeting request, or anything that is not the best fit for you and your limited resources?

The leader of the “Melrose” clothing store chain as well as “Commercial Builders Group” has refined his “no” over the years. His clothing store chain of over 100 stores and his portfolio of 3 million plus square feet of commercial real estate matches his “no.” He focuses on real estate investing in Central and South Texas with few exceptions. He has decades of knowledge for those regions. He is approached regularly with strong opportunities around the country. He says “no” just as regularly. To store locations around the nation that meet many of the criteria, but not all of them, he says “no.” To business investments outside his wheelhouse, he says “no.” This is not a pessimistic, fear-driven, or negative approach. Quite the opposite, it is an optimistic approach that allows him to succeed significantly by saying “yes” to deals that suit him! His track record clearly shows he says “yes” often, within a very limited scope, and it has paid off. Likewise, the charitable foundation he created has transformed and been refined over time. The focus is now on investing in only those organizations that meet the foundation’s target areas, and where the donation can have a long-term significant impact. By saying “no,” he helps focus the foundation’s capital on the limited “yes’s,” increasing the chances the donation will have tremendous game-changing impact on those limited number of organizations.

Afraid of turning away the client or rejecting a potential deal? That’s OK; just set a high bar. Start with, “I must focus on doing an extraordinary job for you, Ms. Client. My minimum fee is $70,000.” Ms. Client can now choose the “yes” or “no” for you. The same applies for a deal. What is your minimum cash on cash, IRR, product type, cash multiple, or deal size? You design your criteria. The deal comes across your plate and is a 35% IRR but a $100,000 deal: let the broker know your minimum deal size is $1,000,000, and you only do hard corners (or whatever it is for you). Ask the broker what deals they have that meet those criteria. Those opportunities will soon come across your plate.

Omar Hamoui said, “If someone asks you for something, provide them with a clear ‘no’ or a delivery date.” Omar is right. If you cannot commit to a delivery date, your answer should be “no.” That way, you have room to meet the delivery dates for those things worthy of your time.

Because we began with Buffet, I will end with another powerhouse entrepreneur, Bill Gates. Both Gates and Buffet have been separately asked, “What is the #1 thing that has made you successful?” They both answered “focus.” As someone with a good dose of “ADHD,” long-term focus is difficult for me to achieve. Sure, I am able to launch forward with short bursts of focus. Long-term
focus, not so much. The power of “no” creates the ability for bandwidth and hence natural room for added focus. Create your focus using the power of “no.”

I look forward to hearing both your “no’s” and your meaningful “yes’s.”
S. E. C. Real Estate Observer
AN E-PUBLICATION OF THE SOCIETY OF EXCHANGE COUNSELORS

IV Formulas and Strategies  A. Real-Life 3-Way in Process

Real-Life 3-Way in Process
Another SanderBoard-Generated Transaction
Brandon Sanders, S. E. C.

Seller 1—Peter & Corey
Buyer 1—Jason
Buyer 2—Dale

Seller 1—Peter and Corey decided to sell their property. They had owned and operated some apartments and had improved their value as planned, so it was time to move on to the next deal. They were interested in an exchange into a new project, but they weren’t sure what they wanted.

Buyer 1—Jason saw the property at the S. E. C. Greenville meeting and jumped at the chance to purchase it, but he had a piece of land and cash that really wasn’t what Peter and Corey desired. So unfortunately, the purchase did not look like it was going to work out.

Buyer 2—Dale had condos for sale. Jason did like the condos, but he still really wanted the apartments. Dale was open to just about anything; he would trade up, take cash, or take cash and something else, and he was willing to be creative.

During the meeting, through the SanderBoard, we learned that Peter and Corey really liked the condos. Dr. Sanders realized that although Peter and Corey already said they weren’t interested in Jason’s offer, something extremely interesting was about to happen.

Dale decided to offer his condos to Jason for his land and cash as a way to go “down and out.” Jason was willing to accept the condos but still really wanted the apartments, so he balanced equities with Dale and then took his new property to Peter and Corey, who were ready to move forward. They balanced equities, and everyone went home happy!
### IV Formulas and Strategies
### B. The Clarion Call—Who Will Heed It?

#### The Clarion Call—Who Will Heed It?

Ronald J. Robinson, S.E.C.

A book was written a few years ago that will soon become the most sought-after manual for success in commercial real estate. This book clearly demonstrates what it will take to survive in the commercial real estate business in the very near future. There are several other books on various subjects that should also be studied if one is to survive. There is no time to waste; the party is all but over. The ease with which most have prospered in the real estate business for the past several years will not last much longer. Many will ignore this and go merrily on their way. History is filled with such examples, as the old phrase “those who cannot learn from history are doomed to repeat it” shows.

Mr. Robert Steele wrote the book I referred to above, 300 Strategies for Making Real Estate and Business Transactions, and it provides 300 ways to creatively market real estate. I will explain why knowledge of creative real estate will become a necessity for survival in the near future.

There is no question that our economy is on the brink of a major collapse. Inflation will bring about the collapse of the dollar. The IMF has already developed their currency for international settlements, for which the dollar was used until recently. Soon, our dollars will fall from grace as an international exchange. The Fed Chairman has already stated that “Fed Coin” currency could become a reality sooner than later. He has also stated that inflation is transitory and will not be a problem. This is either an intentional or misguided avoidance of reality.
I mention all of this to establish that monumental changes will soon be upon us and the entire world. As our economic situation changes, we must prepare for survival in the real estate business. The only solution is to learn alternative techniques and use the formulas provided in Bob Steele’s book. Those who know how to perform creative transactions even in the toughest times will prevail and prosper during all economic cycles.
The S.E.C. Education Foundation is pleased to announce that on November 14, 2021, Chuck Sutherland, S.E.C., will present his *Creative Real Estate Formulas* course in Chattanooga, Tennessee. *Formulas* is a core course for the Society’s education requirements. Information about this course can be found in the Society Newsbriefs section of this issue of the *Observer*.

On January 16, 2022, Gene Trowbridge will present *Syndication and Crowdfunding* in Houston, Texas, immediately before the S.E.C. Marketing Session. More information on this course will follow soon.

The S.E.C. Education Foundation is available to help you bring education and marketing to your region. Contact the S.E.C. Office if you are interested in exploring the possibility of hosting a class or marketing session.

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](http://www.secedfoundation.com), to learn more about the courses and programs we sponsor.
VI. Society News Briefs

A. November Marketing Conference

S.E.C. National Invitational Marketing Session
Chattanooga, Tennessee
November 14–17, 2021

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

The Westin Chattanooga
801 Pine Street
Chattanooga, TN 37402
Telephone: (423) 531-4653

Click this link to make your reservations! Make your hotel reservations early because we have a limited number of rooms available, and the cutoff day for reservations is October 22.

Visit Westin Chattanooga for hotel information and click Visit Chattanooga 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.
Creative Real Estate Formulas
Charles E. Sutherland, S.E.C.
Chattanooga, Tennessee
Sunday, November 14, 2021

The S.E.C. Education Foundation and the Society of Exchange Counselors are pleased to announce that Charles E. Sutherland, S.E.C., will present Creative Real Estate Formulas (the course qualifies as a Core Course for Formulas), from 9 a.m. to 4 p.m. on November 14, 2021, in Chattanooga, Tennessee.

The course will teach you how to create value by using creative real estate formulas, how to create and use cash in a transaction, what the elements of exchange transactions are, and much more.

Meeting participants may sign up when they register for the marketing session. Attendees do not have to be licensed or invited to attend; the session is open to everyone. If you are not attending the marketing session, 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.
S.E.C. National Invitational Marketing Session  
Houston, Texas  
January 16-19, 2022

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

The Hilton Houston Post Oak by the Galleria  
2001 Post Oak Boulevard  
Houston, TX 77056  
(713) 961-9300

The room rate is $149, single or double. Make your hotel arrangements early Hotel Reservations Link because we have a limited number of rooms available. The cut-off day for reservations is January 4, 2022.

Visit Hilton Houston Post Oak for hotel information and click Visit Houston 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.
Society News Briefs

Syndication and Crowdfunding
Gene Trowbridge, CCIM
Houston, Texas
Sunday, January 16, 2022

The S.E.C. Education Foundation and the Society of Exchange Counselors are pleased to announce that Gene Trowbridge, CCIM, will present **Syndication and Crowdfunding** from 9 a.m. to 4 p.m. on January 16, 2022, in Houston, Texas.

The course provides information regarding establishing real estate investment groups, including security rules, entity structures, drafting of offering documents, steps to take in creating your group, avoiding the mistakes of other sponsors, and an update on current legislation.

Meeting participants may sign up when they register for the marketing session. Attendees do not have to be licensed or invited to attend; the session is open to everyone. If you are not attending the marketing session, you may register online at [www.secounselors.com](http://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](http://www.secobserver.com) and click the Upcoming Events menu tab to access the calendar of events and view a brochure for the course.
Rod M. Stewart, S.E.C.

In Memoriam

Editor’s Note: Rod passed away on September 27, 2021. He leaves behind many who will miss him and who will never forget his many contributions to his community and the real estate industry.

Rod Stewart has lived in and around the Wichita, KS, area most of his life. He was born just north of Newton, where his mother was born. His father was from Stockton. He has been a commercial realtor since 1971. Rod and his wife, Debbie, have one son, John, who is a Doctor of Internal Medicine and teaches at the University of Kentucky in Lexington. He has a younger sister who also resides in Wichita. Rod has been active in many real estate groups, government agencies, and service organizations. He is a true American patriot and rightfully proud of his beliefs and convictions.

Born August 17, 1945, Rod went on to graduate from Wichita State University in 1968 and has since been a loyal fan and supporter of his alma mater. He has a Bachelor of Arts degree, and in 2006, he received his Masters of Military History from the American Military University. He has an extensive war games collection and enjoys military history. Sailing was his favorite pastime for over 30 years. Rod became a member of the Society of Exchange Counselors in 1994. His first SEC meeting was in spring 1989. He has continually participated in and promoted educational offerings within and by the SEC and the CCIM organizations, and he has received many awards and a great deal of recognition for his hard work, tireless support, and many achievements. One of the most recent and probably the greatest of Rod’s achievements came in December 2013 when he received the Lifetime Achievement Award from the Kansas CCIM Chapter and Wichita State University Center for Real Estate. Rod was instrumental in creating this award and, seven years later, received it himself. Rod has served on the board of directors of the CCIM chapter for many years.
Wichita is and has been home to many notable SECs from the beginning. Rod has worked with and for many of the Legends of the Society, and he is a legend in his own right. Rod was recommended to work for Colby Sandlian, S.E.C., by his good friend Darrell Leason, S.E.C., who Rod met while working together on many political campaigns. Colby taught Rod one of his great lessons in counseling: “Find out what they expect the real estate to do for them.” Rod’s first lease while working for Sandlian Management was a small office lease, and his commission was $18.90 for the 6-month lease period. Rod worked for the Sandlian organization until December 1983, when he stepped out on his own. He and his wife had acquired several investment properties by that time, and his brokerage sales and commissions continued to grow.

In addition to the Lifetime Achievement Award in 2013, Rod Stewart has received many awards and a great deal of recognition for his service and success. As part of the Wichita Area Association of Realtors, he is in the President’s Club and Masters Circle, he was the 1999 Walter Morris Broker of the Year, and he was the 1990 Top Volume Sales Award winner. The Marketers of Real Estate named him Exchangor of the Year in 1980, and the Society of Exchange Counselors awarded him the Clifford Weaver Award for the Most Creative Transaction in 1997. He has served as chairman on several SEC committees. In 2007, he was awarded Membership in the Honor Society of the Kansas Association of Realtors.

There is much more to Rod Stewart than commercial real estate. He has vast experience in leading organizations, committees, agencies, and so on, and he has been influential in a positive way for the growth and development of the Wichita area. Rod was appointed to the Board of Land Use Economics, which advised the city council on real estate matters, and shortly thereafter to the Urban Renewal Agency Board of Directors, which oversaw millions of dollars of real estate and 100 employees, and had the power of eminent domain. It is probably no coincidence that it was during this period of Rod’s advice and real estate counsel to the agency that Wichita began seeing increased real estate activity. During this time, what is now “Old Town” was created, the Exhibition Hall was built, and the Sedgwick County Zoo was started, to name a few. The list of commissions and task forces that Rod has served on is an extensive one. Those not
listed here are not to be considered unimportant. Many of the appointments Rod received were challenged for political reasons, and he fought many political battles to do what was right for Wichita and did not compromise his principles in the process.

The Board of Land Use Economics soon became the Wichita Economic Development Commission, and Rod was appointed as the president. After his 2-year chairmanship, Rod resigned from city and county governmental positions and was appointed to the Wichita Convention and Visitors Bureau, where he served for 16 years. Some of the notable events that Rod oversaw while he was chairman were the Miss USA Pageant and Coronation Ball. He also oversaw the Miss Teen USA Pageant, Future Farmers of America Convention, and the American Bowling Congress (the United States’ largest convention). He improved the city’s image by educating cab drivers and others who had direct contact with visitors. Rod presented studies that showed Wichita needed a new 300-room hotel downtown and was recognized by the mayor as being a key figure in bringing the Hyatt to town. All the while, Rod remained active in functions and committees at the Board of Realtors and the CCIM chapter, and in attending SEC meetings and promoting educational opportunities. Rod still continues to serve as director of marketing of the Commercial Council of the Board of Realtors. Rod humbly acknowledges that many of the events and awards he is credited with starting in Wichita could not have come to fruition solely with his efforts. Many fine men and women were extensively involved. Several national marketing sessions, Kansas CCIM marketing sessions, and over 15 SEC classes have been held in Wichita. Rod was instrumental in making sure these were successful events, and the Kansas CCIM chapter received the President’s Cup Award as the Best Small Chapter in the country three times.

Rod’s service has not been limited to government agencies and real estate groups. The East Wichita Rotary made Rod Rotarian of the Year for his efforts in raising money to provide polio vaccines, which is a worldwide Rotarian cause. Rod was the former president of the Sports Commission Task Force, which promotes better and more amateur and professional sporting events in the Wichita area. Rod played football in his younger days, and he is an avid football fan.
to this day. An active member in the Wichita Wagonmasters, Rod was elected their captain in the 1980s and provided leadership for the BBQ and Chili Cook-Off in their beginning years. He was a past member of the Wichita Crime Commission, Inc., and has been published in *The Wichita Eagle* as a commentary contributor. The underlying messages of his contributions have been related to private property rights and a citizen’s freedom to choose over a government’s desire to control.

Currently, you will find Rod M. Stewart, S.E.C., at Keller Williams Signature Partners as managing director of the commercial division. His expertise includes investment sales; 1031 exchanges; and multi-family, office, retail, and property management. Rod accepted an invitation to join this organization because he likes that Keller Williams honors God, family, and business—in that order.
VIII. History Files

A. The Pressure Cooker

“The Pressure Cooker”

by Ted Blank, S.E.C., EMS

When completing a 1031 Tax Deferred Exchange I am thoroughly convinced the toughest part of the process is the 45-day identification period of the replacement property.

Having worked as a broker in the real estate exchange market since 1980, most of the exchanges my clients have been involved in have been simultaneous exchanges, (e.g., one property used to buy another). In these cases, a 1031 intermediary is usually not used and the replacement property is acquired on the same day as the relinquished property is sold.

In late June of last year, I was fortunate enough to be involved in the sale of a $2 million property. As the managing partner of the LLC that owned the asset, it was substantially my responsibility to complete the sale and find a replacement property.

Since we were dealing in the rather turbulent medical market, it was somewhat risky to identify the next property until the medical building was closed. Although I started looking for replacement property in May, the search did not seriously start until July 1.

When identifying replacement property there are two usable rules that you need to work within: You can identify any three properties of any value, or you can identify a number of properties up to 200% of the value of the relinquished property. Based upon my personal preferences to diversify risk, I chose to look at properties under $2 million in price and in several markets outside Colorado.

In order to increase the chances of success, I did two things: (1) communicated closely with my intermediary regarding the rules and any flexibility the rules would allow, and (2) hired a friend and CCIM broker Bob Broughan, to assist in the location, evaluation and purchase of the replacement property.

Initially we searched three or four local and national networks for property that met the investment criteria I was seeking (12% return, plus upside appreciation). We screened 200-300 properties on a very preliminary basis and looked at more detailed information on 40 to 50 of the properties. In two weeks, we were making offers on properties.

Thirty days into the process, we had offers accepted on four properties:

1. Industrial Manufacturing in Houston, $975K
2. Office building in Corpus Christi, $2 million
3. Office building in Wichita, $650K
4. Leased restaurant in Denver, $750K

I anticipated two or three more contracts would be accepted prior to the end of our 45 days. Most of our contracts carried a 30-day inspection period. During this time we completed as much due diligence as possible and made the final selection of property. Due to the short time frame and the industrial nature of the Houston property I felt it necessary to proceed with a Phase I & II Environmental assessment. Therefore, I invested $6,000 plus legal fees in a property I was sure I would be identifying.

The 45 day identification period was hectic, busy, exciting and stressful. It included trips to Wichita, Houston and Corpus Christi to inspect properties.

Well, the 45th day came and went. I identified three properties at noon on the final day. We eventually closed on two of them and sold the contract on the third property to someone else who was also in the “Pressure Cooker.”

You can serve yourself and your clients best by being prepared for the pressure cooker. Some suggestions to minimize your stress:

1. Deal with brokers or principals you know you can close with—or have closed with in the past.
2. Hire additional qualified help in the early stages.
3. Use an experienced 1031 intermediary who is accessible.
4. Start looking for replacement property before your close on property to be relinquished.
5. Try to include language in the contract of the relinquished to extend closing if you are having trouble finding replacement property.
6. Regarding the relinquished property contract—try to get substantial non-refundable earnest money and quick contingency removal.
7. Identify only replacement property that you control through a binding contract.

Good luck as you help your clients sell their property and put them in the 45 day “Pressure Cooker.”

About The Author

Ted Blank of Denver, has been a licensed real estate broker specalizing in exchanges for over 17 years.

8 April, 1998