UNLOCKING WEALTH

Through

REAL ESTATE SYNDICATIONS

A STEP-BY-STEP GUIDE FOR INVESTORS

STRYKER CAPITAL GROUP

QUALITY INVESTMENTS, QUALITY RETURNS

INTRODUCTION

Welcome to the world of real estate syndications! Imagine harnessing the power of collaboration to achieve financial freedom and lasting wealth. This guide is designed to empower you with the knowledge and confidence to invest in large-scale real estate projects, even if you're just starting out. At Stryker Capital Group, we believe in the transformative potential of real estate syndications, and we're here to guide you every step of the way.

WHAT IS A REAL ESTATE SYNDICATION?

Picture this: a group of visionary individuals pooling their resources to acquire large-scale properties like apartment buildings, which would otherwise be out of reach. Remember the iconic Empire State Building? It was purchased through syndication, with 3,000 small investors contributing as little as $10,000 each. This is the power of syndication at work!

WHO'S INVOLVED IN A SYNDICATION?

In a real estate syndication, you have the General Partners (GPs) – the masterminds who identify the property, secure financing, and manage the operations. They are the driving force, sometimes called sponsors or operators.

Then there are the Passive Investors or Limited Partners (LPs), who provide the capital. In return, they receive equity shares, cash flow distributions, and profits. It's a symbiotic relationship where everyone wins!

WHO CAN INVEST IN A REAL ESTATE SYNDICATION?

Alright, let's dive into who gets to play in this exciting game of real estate syndication. Real estate investment syndicates are typically geared towards "accredited investors." Now, the SEC defines an accredited investor as someone with an annual income of $200,000 (or $300,000 joint income) or a net worth of at least $1 million, excluding your primary residence. This ensures that the investors have the financial muscle to handle the risks and reap the rewards of these lucrative investments.

SOPHISTICATED INVESTORS

But don't worry if you don't fit into the accredited investor category. Some offerings, like the "506(b)" offerings, are open to unaccredited investors too. These investors need to be "sophisticated," which means they must have enough knowledge and experience in financial and business matters to evaluate the risks and merits of the investment. They might have made previous investments outside the stock market or perhaps attended educational seminars on investing.

BUILDING A RELATIONSHIP

Here's the kicker: for unaccredited investors, having a pre-existing "substantive relationship" with the deal sponsor is crucial. This isn't just a casual acquaintance; it's a deep understanding of the investor's financial situation, goals, and risk tolerance. At Stryker Capital Group, we make sure to take you through a detailed "get to know you" process to establish this relationship and ensure you're ready for the investment journey ahead.

TYPES OF SYNDICATIONS

Now, let's talk about the different types of syndications you can get involved with. Real estate syndications are more common for higher-valued commercial real estate—think multifamily, self-storage, mobile home parks, retail, office, or light industrial—rather than single-family properties.

Of all these investment types, multifamily real estate is a superstar for several reasons. It's a recession-resistant investment, it provides excellent cash flow, and it comes with significant tax benefits. It's no wonder multifamily syndications are a popular choice among savvy investors.

WHY MULTIFAMILY?

There are five main reasons why investors might consider a real estate syndication over the stock market or other investments:

1. **Above-Average Returns:** Multifamily syndications routinely offer higher returns than the stock market, often averaging 15% or more annually.
2. **Below-Average Risk:** Multifamily properties tend to have lower delinquency rates compared to single-family homes, especially during economic downturns.
3. **Passive Income:** Unlike stocks and bonds, multifamily syndications generate steady cash flow for investors.
4. **Tax Benefits:** Thanks to bonus depreciation, your investment income is taxed at a much lower rate.
5. **Inflation Hedge:** As inflation rises, so does the value of the property, making it a perfect hedge against inflation.

RISKS AND DISADVANTAGES OF INVESTING IN SYNDICATIONS

There are numerous advantages to putting your money in a multifamily syndication, but let's be real—every investment comes with risks. And don't let anyone tell you otherwise! Understanding the potential downsides to investing in apartments will help you make the best possible choices and ultimately mitigate the risks, putting you on a powerful path to financial freedom.

Here are the 5 risks and disadvantages of investing in multi-family syndications:

1. **Sensitive to Market Cycles:** Like any investment, real estate is affected by market cycles. You can mitigate this risk by investing in real estate like apartment buildings, which have historically performed better than other types.
2. **Investing in Landlord Unfriendly Areas:** Business plan can be disrupted when new laws are enacted that impact the business plan. We stay away from states and cities where they trample the rights of the owners of the property, this is you. We want to provide safe, clean, housing to those that respect the property and others.
3. **Highly Dependent on the Operator:** Having the right team in place to run a property is crucial to the performance of multifamily investments. An inexperienced or incompetent operator can make costly mistakes. To mitigate this risk, ensure you invest with the

RIGHT sponsor—someone with a proven track record, experience, and a solid reputation. We always ensure we have the best Property Management team and General Partners on an investment, our money is invested along with yours.

4. **Lack of Liquidity:** One of the biggest drawbacks of investing in syndications is that your money is tied up for 5 years or more. You can't just call your broker and cash out. However, many syndications offer refinancing options before the term ends, returning part or all of your investment. Plus, in the meantime, you're getting regular cash flow, which means you're steadily getting part of your money back. Patience and strategic planning are your allies here—embrace the journey and watch your wealth grow!
5. **Lack of Control:** Your money is tied up for years, and you don't control the investment—your operator does. They handle all the day-to-day decisions and decide when to refinance or sell. If you're a control freak, this might be a challenge. But here's the beauty of being a passive investor: you don't have to do anything! Trust your operator to do the heavy lifting while you enjoy the benefits of their expertise. Relax and let the professionals maximize your investment.
6. **Harder to Understand than Investing in Stocks:** Understanding an alternative investment like real estate syndication might seem challenging. Yes, there is a learning curve. But let's be real—who truly understands the stock market? Most investors hand over their savings to a financial advisor without diving deep. Here's your edge: invest the time to learn, find a trustworthy operator, and invest with them repeatedly. Empower yourself with knowledge and build a trusted network to create financial freedom!
7. **Risky?** I have invested or traded stocks, equity options, commodities, options on commodities, buying businesses, retail real estate, etc. Let me tell you, after exploring many investment options out there, I've reached an undeniable conclusion: multifamily, self storage and mobile home park syndications are hands down the best investments on the planet. No other investment has weathered the storms of past recessions so robustly, delivered such impressive returns (including that sweet, sweet cash flow), offered extraordinary and completely legal tax advantages, and provided a rock-solid hedge against inflation. This is the investment that works for you on all fronts!

HOW ARE SYNDICATIONS STRUCTURED?

You might be wondering how multifamily and self-storage syndications are structured. Understanding your rights as a limited partner, the fees involved, and the timeline for getting your money back is crucial. At Stryker Capital Group, we believe in transparency and educating our investors.

THE ENTITY

The legal entity we use to structure multifamily and self storage syndication investments is a limited liability company (LLC). Sometimes we create multiple entities—a holding company and a local entity in the state where the property is located. The local entity owns the building itself, and the holding company owns the local LLC.

EQUITY SPLITS

Equity splits can vary, but both 70/30 and 80/20 splits are common. For instance, in a 70/30 split, the limited partners (LPs) get 70% of the ownership, while the general partners (GPs) receive 30%. The operator earns this portion of the equity, known as carried interest, for putting the deal together, even though the investors put up 100% of the money.

My advice is to focus less on the split and more on the returns, specifically the cash-on-cash (CoC) and average annual return (AAR). If you have a good quality multifamily/self-storage investment, a strong operator, conservative underwriting, and a 15+% AAR, that's much more important than the equity split.

PREFERRED RETURNS

Some multifamily syndications offer something called a "preferred return," which means a certain minimum is paid out to the investors before the general partner is paid. One way to think of it is like an interest payment, which is paid out first before the leftover cash flow is split based on the equity arrangement.

Let's do a quick example. Assume a particular syndication gives investors 70% equity and the operators retain the remaining 30% as carried interest. Let's further assume that the total cash investment from the investors is $100,000 and that the preferred return is 5%. That means that the first $5,000 of any available cash flow that year is paid out to the investors first, and the rest is split 70/30. If the annual available cash flow is $15,000, the first $5,000 is paid to the investors, leaving a net of $10,000. Of this remaining cash flow, the investors would receive 70%, or $7,000.

The investors are paid $5000 as part of the preferred return and an additional $7000 as part of the 70/30 equity split, or $12,000. This represents a 12% cash on cash return. This does not represent all of the return as the bigger payoff is when property is refinanced or sold.

CONTROL AND VOTING RIGHTS

As a limited partner, your liability is limited to your investment, and you're protected by the SEC in case of a lawsuit or a loss. Typically, LPs aren't involved in the day-to-day operations of the property; all decisions are made by the GPs. However, LPs do have voting rights on matters that may reduce their rights or significant decisions like refinancing or selling the property.

RETURN OF PRINCIPAL

So, how and when do you get your principal back? Through one of two liquidity events: refinancing or the sale of the asset. When refinancing the LP gets most of initial investment back! This money can be used to invest in the next investment opportunity. In some cases the investor receives all the initial capital back and still owns the same % of the asset which results in “infinite returns”. No capital invested yet continue to get cash flows. Nice scenario.

A good operator honors the business plan’s hold period, typically five to seven years, unless a market correction occurs. If changes are needed, they should consult with the LPs.

SPONSOR FEES

As an LP, you might encounter several fees in a multifamily deal, but remember these fees are already accounted for in the projected returns for the investment. :

- Acquisition Fees: Typically 2-3% of the purchase price, payable to the GP at closing.
- Asset Management Fees: Generally 1.5% of the gross collected rents, used to cover overhead for managing the property.
- Capital Transaction Fees:*About 1%, due upon a cash-out refinance that returns 100% of the purchase price. While we don't charge these, some groups do.
- Disposition Fees: A small percentage of the sale price, collected when the property is sold.

Remember, operators have overhead costs, and these fees help cover them. The real money is made on the equity when the property's value is increased.

Now, you have a comprehensive understanding of how multifamily deals are structured, the terms involved, and what to expect.

THE INVESTMENT PROCESS

These are the 8 steps that make up the investment process:

STEP #1: LEARN ABOUT THE OPPORTUNITY

STEP #2: EXPRESS INTEREST VIA A "SOFT COMMIT"

Assuming you're ready to dive into a multifamily syndication opportunity with a specific deal sponsor, here's what typically happens next:

STEP #1: LEARN ABOUT THE OPPORTUNITY

Alright, let's kick things off! The best way to learn about multifamily investment opportunities is to get on the syndicator's email list. If you've joined the Stryker Capital Group, you're already on the right path.
We send out regular emails packed with educational content. And when a multifamily deal comes through, we forward an Executive Summary and set up a live webinar to present the opportunity—this is your chance to ask questions and get excited about what's coming!

STEP #2: EXPRESS INTEREST VIA A "SOFT COMMIT"

If the opportunity sparks your interest, the next step is to fill out a short form indicating how much you'd like to invest in the multifamily syndication. The minimum is usually $100k, but this is your moment to make a bold move.

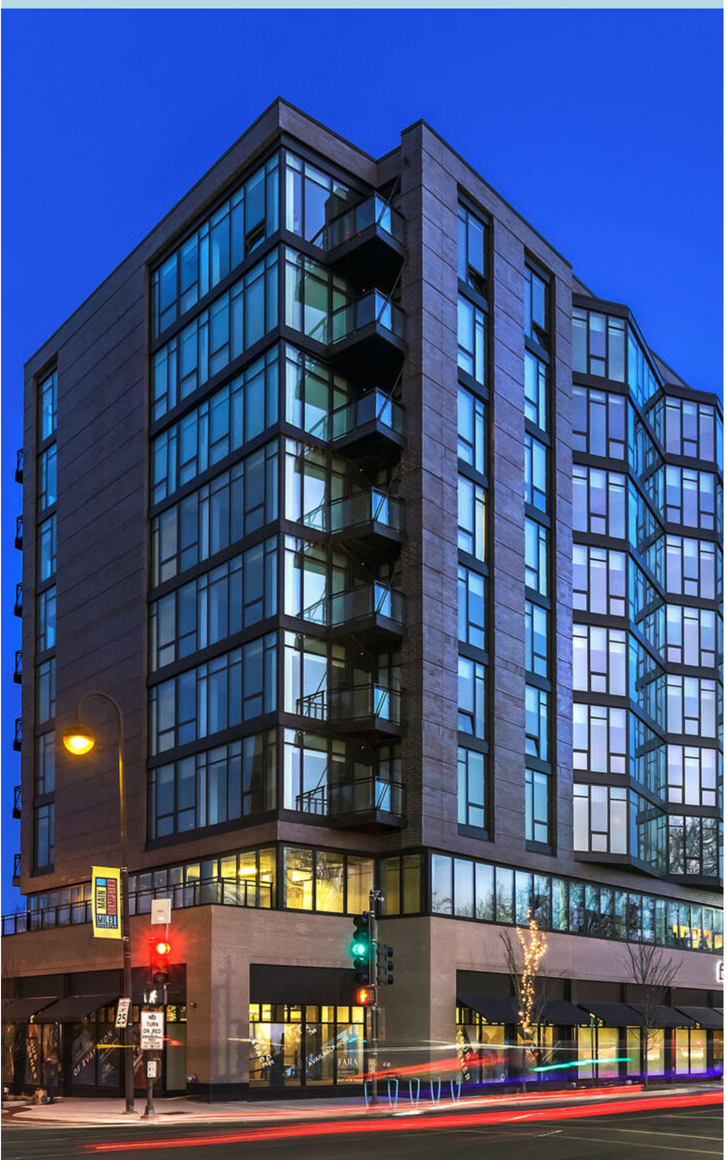
The "soft commit" isn't binding just yet, but it helps us gauge who's ready to take the

These are the 8 steps that make up the investment process:

STEP #3: REGISTER ON THE INVESTOR PORTAL

STEP #4: SATISFY THE MINIMUM REQUIREMENTS

STEP #5: MAKE A FORMAL INVESTMENT "OFFER"



plunge. The "soft commit" window typically stays open for a couple of days after the live webinar. So, if you want in, don't hesitate—act fast and secure your spot!

STEP #3: REGISTER ON THE INVESTOR PORTAL

If you haven't already registered on the Stryker Capital Group Investor Portal, this is your next step. You'll fill out an online form to get a username and password. This portal is your gateway to secure communication with us throughout the investment process.

STEP #4: SATISFY THE MINIMUM REQUIREMENTS

Next, we double-check that you are either an accredited or sophisticated investor. If you're not accredited, and we don't know you very well yet, we may ask you to hold off until the next syndication. Remember, SEC guidelines require a "substantive relationship" between the passive investor and the syndicator. We're all about building strong, informed relationships here.

STEP #5: MAKE A FORMAL INVESTMENT "OFFER"

Those who raised their hand with a "soft commit" now have the chance to let us know they are serious. At this point, you promise a specific amount of money to the multifamily syndication deal.

These are the 8 steps that make up the investment process:

STEP #6: REVIEW AND SIGN THE LEGAL DOCUMENTS

STEP #7: WIRE THE MONEY INTO THE ESCROW ACCOUNT

We usually give prospective investors a day or two after the "soft commit" window has closed to make this formal offer. But remember, it's all on a first-come, first-served basis. This is where your commitment transforms into action.

STEP #6: REVIEW AND SIGN THE LEGAL DOCUMENTS

Alright, you've made it this far—let's keep the momentum going! At this stage, you will receive the operating agreement. This critical document outlines the parameters of the partnership, breaking down the roles and responsibilities of the General Partners (GPs) and Limited Partners (LPs). It's the roadmap that details who is responsible for what decisions and how profits and splits will be handled.

Operating Agreement Breakdown

This is your playbook! It covers everything from who makes the decisions to how the profits are divided. You need to understand it fully, so take your time to review it. When you're ready, sign the documents online via DocuSign. This is the moment where your commitment becomes official.

STEP #7: WIRE THE MONEY INTO THE ESCROW ACCOUNT

Now, its time! Once you've signed the documents, you'll receive wiring instructions.

These are the 8 steps that make up the investment process:

STEP #8: WAIT UNTIL CLOSING

Send your funds to the escrow attorney. Congratulations, you're now officially an LP in a multifamily syndication deal! If you are a first time investor wiring large amounts of money can be gut-wrenching, call us we will gladly walk you through the process and give you the confidence your money is not going to some bank in Nicaragua.

Timing is Crucial

Remember, a multifamily syndication is a limited-time offer. We can't hold your spot if you don't wire your money. And if you send money after the deal is full, we'll wire it back to you. So, act fast to secure your place.

STEP #8: WAIT UNTIL CLOSING

Now, you sit back and relax. This is where patience pays off. The syndication deal typically takes between 30 and 45 days to close, depending on the specifics of the deal.
Staying Informed

We typically do a live webinar at closing and provide monthly updates moving forward. This keeps you in the loop about how your investment is progressing.

SHOULD YOU CHOOSE TO INVEST WITH US

Alright, you're ready to take the plunge! Here's how we make it happen at Stryker Capital Group:

1. Discover New Opportunities: We notify you of exciting new investment opportunities and invite you to a webinar where we dive into the details. Can't make it? No problem! We send out a recording the next day so you're always in the loop.

2. Make Your Move: If the opportunity aligns with your investment goals, you make a verbal commitment. This is your chance to claim your stake in the deal.

3. Seal the Deal: Now, it's time to make it official. You'll sign the necessary documents to solidify your commitment:

    - Private Placement Memorandum: This outlines the deal's structure and potential risks.
    - Operating Agreement: This details the responsibilities and ownership ratios of the GPs and LPs.
    - Subscription Agreement: This summarizes the number of shares you own in the LLC set up as the owner of the apartments.
    - Accredited Investor Qualifier Form (if applicable): This verifies your status as an accredited investor.
    - Direct Deposit Form: This ensures you receive your distributions automatically, straight to your bank account.

4. Wait for the Green Light: Once you've completed the paperwork, sit back and relax. We handle the closing process and keep you updated every step of the way.

Remember, other GPs may have a different system, so always ask about their process and what your responsibilities would be as a passive investor. Knowledge is power!

WHAT TO EXPECT AFTER CLOSING

Congratulations, you've closed the deal! Now, what happens next? Let me break it down for you:

REGULAR UPDATES

Once per quarter, expect to receive an email from your operator with a detailed narrative of what happened over the last 90 days. This isn't just an update; it's a powerful story of progress and growth. You'll get insights into:

- **Renovations:** What kind of improvements were made?
- **Occupancy and Collections:** Did they improve? If yes, why? If not, what's being done to fix it?
- **Expenses:** Were they in line with projections?
- **Business Plan:** Is it on track? If not, what adjustments are being made?
- **Distributions:** If a distribution is being made, what is it, and how does it compare to the projected returns?
- **Market News:** Anything else that's newsworthy about the property and the market in general.

We've found that this satisfies most passive investors. For those who crave more detail, we can provide additional documents such as the Profit and Loss (P&L) statement (including an actual vs. projected analysis), balance sheet, and rent roll.

TRANSPARENCY AND ACCESSIBILITY

Your operator should always be transparent and accessible. If you need more information, just ask, and you should receive additional documentation promptly. Your operator should be readily available via email or phone to answer any questions or concerns.

DISTRIBUTIONS

The fun part of passive investing is receiving those cash flow distribution checks! Typically, the first distribution is delayed for two quarters after the deal closes to give the operator time to see how the property performs and deal with any unexpected issues. Once these are managed and the cash flow becomes predictable, distributions can begin.

Most operators send out distributions quarterly via ACH (some do this monthly). A good operator will escrow funds from cash flow to fund periodic expenses such as real estate taxes and insurance. Here's how the amount of distributions is determined:

Bank Balance minus Escrowed Funds (e.g., Taxes, Insurance, etc.) minus Funds for Capital Improvements minus Reserves (typically $250 per unit per year) minus Asset Management Fees (to the GP's) = Funds Available for Distribution

Once the funds available for distribution are determined, they are distributed according to the terms of the Operating Agreement.

ANNUAL REPORT AND TAX DOCUMENTS

After the books are closed on a year, a good operator will send out an annual report as well as the K-1 tax documents. The annual report should provide a narrative of how the project performed versus what was projected, and if not, why not and what is being done about it. It should provide ProForma projections for the new year along with the plan to achieve those projections. Finally, it should provide the complete P&L and Balance Sheets (or be available upon request)

At Stryker Capital Group, we pride ourselves on being one of those great operators, and we'd love to connect with you. Head over to www.strykercapitalgroup.com and check out our investment club to learn about any upcoming deals.

If you're searching for a strong operator, I invite you to join our Stryker Investor Club. You'll fill out a short questionnaire and schedule a phone call with our Stryker team. This way, we can get to know each other better and present you with exciting upcoming opportunities. While it may take some time to find and trust an operator, once you do, you can continue investing with them for years. At that point, passive investing becomes truly passive—and FUN!

HOW (AND WHEN) ARE PASSIVE INVESTORS PAID?

The beautiful thing about passive investing in multifamily syndications is that you receive cash flow, get your principal back, and make a return. But when do you get paid, and how much can you expect?

In this section, I'm going to break it down for you—when and how often passive investors get paid and how much you can expect to earn. You'll understand the ins and outs of a cash-out refinance and learn how passive investors can redeploy that money for infinite returns!

As a passive investor in a multifamily syndication, there are 3 ways you can get paid:

1. Sale of Property – The equity gained is divided per the operating agreement.
2. Cash Flow Distributions – The operating profits are distributed to investors
3. Cash Out Refinance – Refinancing allows cash out which is returned in part or full to the investors;.

CASH FLOW DISTRIBUTIONS

When your multifamily investment property earns a profit, so do you! The frequency varies by project and operator, but most passive investors get paid quarterly.

One thing to keep in mind: Your first cash flow distribution may be delayed depending on the type of project. If you're passive investing in a stable value-add deal or a heavy value-add deal, it generally takes 6 to 12 months for your cash flow to arrive. This timeline depends upon the performance of the property. In other words, your syndicator may need time to make some basic improvements and raise occupancy before the first cash flow distributions can be delivered. Make sure you account for this pause in receiving immediate cash flow. Its also a great question to ask prior to investing.

A related term you need to know is cash-on-cash (CoC) return. Let's say you made a passive investment of $100K, and you earn $8K in annual cash flow distribution. The CoC return is calculated by taking the initial investment divided by your cash flow distribution:

$8k / $100k = 8% CoC return
At Stryker Capital Group, we aim for CoC returns of 7% or greater upon stabilization of the property. And we work to hit that target no later than Year 2. Another cool thing to remember here is that adding value to the building will grow your CoC return. As the operator renovates and increases the money coming in, your cash flow distribution checks get bigger too!

CASH OUT REFINANCE

Passive investors get another (much bigger) payday in the case of a cash-out refinance. If you invest in a value-add deal and the syndicator's team does their job, the building's net operating income will increase over time. Then, they can refinance the property at a higher valuation (it's worth a lot more now that it's earning more!). Now the operator can pay off the loan and give their passive investors a big chunk of their principal back. And hold the property to continue bringing in cash flow.

Here's an example of how this works: A 211-unit deal in Salt Lake City. Purchase price: $7.6M and we make $2M in capital improvements. 2 years later the property is refinanced and the property is valued at $15.5M. This allows a return of most of the investors' principal, which they can now re-invest, and they continue owning 80% of the asset and will receive the quarterly cash flows!

When you think about it, this is a pretty awesome scenario. Our passive investors got most of their initial investment back (which reduces their risk). They are now free to redeploy that money in a new multifamily syndication. But they still own equity in the original deal!

This leads to what we call infinite returns. Passive investors are still getting cash flow distribution checks based on their initial investment. But they have a huge portion of that original investment back—and available to invest in a new deal for another similar payout!

SALE OF PROPERTY

Last but not least, passive investors get paid when a property is sold. The syndicator repays the loan first and returns your principal investment. And then, profits from the sale are split by equity.

At Stryker Capital Group, we plan to return the investors' initial capital when the property is sold 5-7 years after purchase (or some portion earlier if a refinance is possible).

SHOW ME THE MONEY!

So, when do passive investors get paid for putting their money in a multifamily syndication? Let's break it down:

You earn regular cash flow distributions quarterly.

You get a bigger payday after a cash-out refinance OR sale of the property.

If you're ready to take the next step and invest in one of our upcoming multifamily investment opportunities, please join our Stryker Investor Club. You'll be asked to fill out a short questionnaire and schedule a phone call with our Stryker team so that we can get to know each other a bit more. We can then present you with an upcoming opportunity.

Don't have money in the bank to invest in multifamily? Don't count yourself out! There are several ways to access capital for real estate deals.

There are different money sources you can use to invest in real estate syndications!

For example, you can convert your stocks and bonds into cash for a multifamily deal or open a line of credit. You can use a portion of your retirement account for passive investing. Let's explore the different money sources you can use to invest in syndications. Now, I am not a financial advisor, CPA, or attorney, and we are not giving you advice here based on your personal situation.

The easiest way to invest in real estate syndications is with cash. Of the possible sources of capital, it is the most liquid—meaning it is readily available and can be quickly wired to the syndicator you are working with.

Another source of funds for real estate syndications is stocks and bonds. You can sell a portion of your mutual funds or ETFs for cash and put that money in a multifamily deal. Of course, you will have to call your broker and have a conversation about why you want to sell. And while I don't recommend pulling ALL of the money from your current investments in stocks and bonds, it makes a lot of sense to use a portion of it to add multifamily to your portfolio. As I've said before, there is no better investment in the world than apartment buildings. Nothing else affords you the cash flow, above-average returns, AND the extraordinary tax benefits of real estate syndications.

Yet another way to access funds involves opening a line of credit. If you have equity in your home, for example, you can get a loan at a relatively low interest rate and use that money to invest in real estate syndications. Do be careful, though. It's important that you invest in a multifamily deal with a fairly high return in order to bridge the gap.

If you have a retirement account, you can use a portion of that money to invest in real estate syndications too! Here's how it works:

1. Open an account with a self-directed IRA custodian.
2. Write a letter to the administrator of your existing account, asking them to move a certain amount of money to the new self-directed IRA.
3. When you're ready to invest in a real estate syndication, instruct the custodian of your self-directed IRA to wire the money to the appropriate closing attorney.
4. Congratulations, your self-directed IRA now holds a share in the LLC of that particular real estate syndication!

There are some limitations that come with investing through a self-directed IRA. The law requires you receive no direct or indirect benefit from the investment. In other words, you can't touch the money, and cash flow distribution checks must be deposited directly to the IRA.

Let's take a look at how to choose the right custodian, the processes involved, and the pros and cons of this strategy.

The thing people don't realize is that just by having a self-directed IRA doesn't mean you can use it for real estate investing. A self-directed IRA requires an IRA custodian. Normally, it's a financial institution (like Schwab or Fidelity) that sets up and manages the account so that it abides by the US tax codes.

But if you call your custodian and start asking questions, you might find that you can't actually use these funds to invest in real estate assets. They'll call it a self-directed IRA, but you can only direct it in things like Wall Street. Obviously, you'll need to find a new provider that will allow for real estate investment. And even then, they're not all created equal.

From our experience at Stryker Capital Group, we've found some of these self-directed IRAs are easier to work with than others. Some will allow for real estate, but not for syndications. Others only take paper checks, which we've made a rule to avoid. When we conduct distributions, we actually require a group to take electronic deposits (ACH/Wire). So, if your IRA custodian insists on paper checks, know that you will not be able to invest with us and certainly with other groups.

Another thing to consider is how quickly the custodian can execute documents. The tax code requires an arm's-length transaction to happen, and one of the things that involves is the custodian must sign for every transaction on your IRA. While it might be the "John Doe IRA," it's really its own separate entity, if you will.

Every time you have a document that needs to be signed, like an operating agreement for example, there's a process for submission. If your custodian insists on receiving a paper document with a wet signature instead of accepting a DocuSign, it will put a delay on the deal.

In all, there are certain things you want to do when looking for a custodian of your self-directed IRA. First, just start a conversation with them and learn how they operate. Second, whether it's Stryker Capital Group or another investment group, ask their opinion about the custodian.

Once you've found a custodian for your self-directed IRA, there's a series of paperwork that you'll fill out. The new custodian will then get in touch with your current custodian to process the money transfer, which may take a couple of weeks. It's different for each group, but it's a more involved process than you might expect.

That's why the best time to make a change is before there's an active deal present. You want to put yourself in a ready position, especially in today's environment where deals happen pretty fast. At Stryker Capital Group, our deals typically fill up in just a few days after we start, and we like to move quickly.

Like any investment strategy, there are pros and cons.

The main advantage of using a self-directed IRA to invest in syndicated real estate deals is the return. Many people have a lot of money wrapped up in an IRA account that's earning only 1-2% a year. So that makes investing with an IRA incredibly powerful.

The downside is that you may actually have to pay taxes on your IRA. There's something called the UBIT (Unrelated Business Income Tax) which usually affects investments that have some kind of debt associated with them. And of course, all multifamily syndications have debt. That's fantastic for growth, but the tax law doesn't see it that way. This tax law makes you pay income tax on any portion of income that's derived from debt.

For example, let's say you're using a mortgage to fund 80% of a multifamily apartment deal. This is a debt, which means that 80% of any profits you make are taxed at your current tax bracket. This is triggered when we sell, and it will now be a taxable event in your IRA. And if you didn't create a tax ID for your IRA prior to setting it up, you may have to pay a penalty and interest when your CPA files your returns.

You can use retirement funds within a self-directed IRA to invest in real estate, with the main advantage being an increase in your average annual return. The key is to find a custodian that understands the tax code, will allow you to invest specifically in syndicated real estate deals, is set up to allow for electronic money transfers, and works swiftly to execute documents on your behalf.

Don't wait until you have an active deal to transfer your funds. Start the process now so you are in a ready position, and be sure to ask the opinion of groups like Stryker Capital Group about the custodians you are vetting. Be aware that there may be serious tax implications in this strategy unless you set yourself up correctly.

The one problem with investing through a self-directed IRA? There's a good chance you will get taxed on the money you earn from a real estate syndication.

I know this is hard to believe since you're investing with your retirement fund, and theoretically, your taxes are deferred. But when investing in something that uses debt (like real estate), there's this pesky thing called the Unrelated Business Income Tax (UBIT) that you have to pay when the real estate is sold.

So, what's the alternative? Well, there's this little thing called the Qualified Retirement Plan or QRP—and it just happens to be exempt from the UBIT taxes that IRA investors are subject to when an asset sells.

Full disclosure, it does cost more to set up a QRP trust upfront, but it has benefits beyond avoiding the UBIT tax:

- You don't need a custodian to sign your paperwork. You do that yourself!
- You can borrow up to $50K from the trust without penalty.

To learn more about how the QRP works, get a free copy of Damion's book, How to Get Checkbook Control of Your 401(k) & IRA Money Now.

If you have access to several different sources of capital, cash is best—simply because it's the easiest to deploy. Multifamily deals move quickly, and once an opportunity is announced, syndicators take investors on a first come, first served basis. If you have cash, you can get into a deal quickly and wire the money right away.

Investors using a self-directed IRA are at a slight disadvantage because it does take a few days to complete the paperwork and get your custodian to wire the money.

CONCLUSION

So, when do passive investors get paid for putting their money in a multifamily syndication? Let's break it down:

You earn regular cash flow distributions quarterly.

You get a bigger payday after a cash-out refinance OR sale of the property.

If you're ready to take the next step and invest in one of our upcoming multifamily investment opportunities, please join our Stryker Investor Club. You'll be asked to fill out a short questionnaire and schedule a phone call with our Stryker team so that we can get to know each other a bit more. We can then present you with an upcoming opportunity.

Don't have money in the bank to invest in multifamily? Don't count yourself out! There are several ways to access capital for real estate deals.

There are different money sources you can use to invest in real estate syndications!

For example, you can convert your stocks and bonds into cash for a multifamily deal or open a line of credit. You can use a portion of your retirement account for passive investing. Let's explore the different money sources you can use to invest in syndications. Now, I am not a financial advisor, CPA, or attorney, and we are not giving you advice here based on your personal situation.

The easiest way to invest in real estate syndications is with cash. Of the possible sources of capital, it is the most liquid—meaning it is readily available and can be quickly wired to the syndicator you are working with.

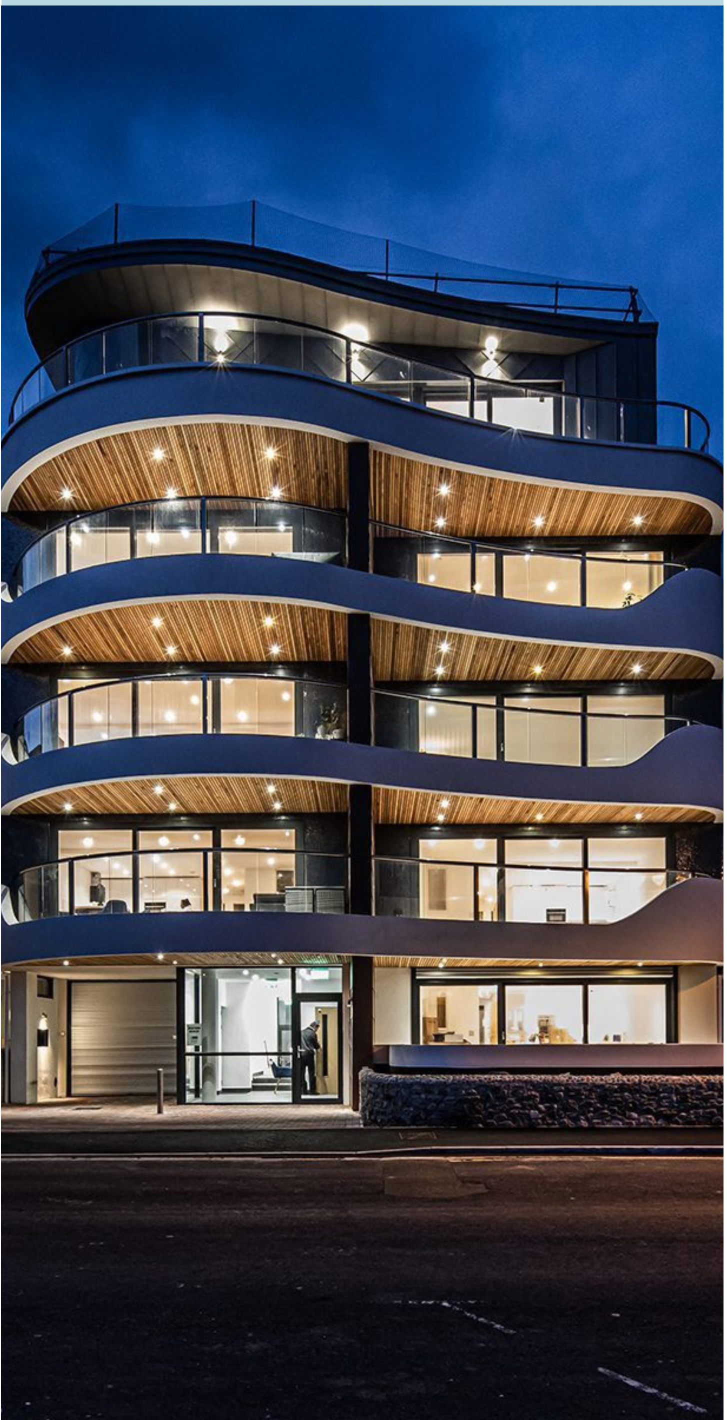
Another source of funds for real estate syndications is stocks and bonds. You can sell a portion of your mutual funds or ETFs for cash and put that money in a multifamily deal. Of course, you will have to call your broker and have a conversation about why you want to sell. And while I don't recommend pulling ALL of the money from your current investments in stocks and bonds, it makes a lot of sense to use a portion of it to add multifamily to your portfolio. As I've said before, there is no better investment in the world than apartment buildings. Nothing else affords you the cash flow, above-average returns, AND the

Vetting the Sponsor Team

Here are the questions to ask your sponsors and some of the answers to look for:

WHAT IS YOUR TRACK RECORD?

WHY SHOULD I INVEST WITH YOUR COMPANY?



Here are the questions to ask your sponsors and some of the answers to look for:

WHAT IS YOUR TRACK RECORD?

Find out how many deals the GP has completed AND how they performed in comparison to projected returns. Underperforming compared to projections is not necessarily a deal breaker, but the syndicator should be able to speak to the processes they've put in place to reduce the chances of it happening again! Ideally, you want to work with a syndication team that has dealt with challenges and come out on the other side.

Be cautious if the GP has acquired and managed a deal but not yet finalized a business plan through to the exit (i.e.: refinance and/or sale of the property). Also, be cautious of a GP who has not had to deal with a challenging project or situation. It's important, in my opinion, to invest with a seasoned team who's been through hardships. Maybe they've been through the great recession or had another major business challenge. These are the people I prefer to invest with because they tend to remain calm and stick with solving the problem during tough times or in difficult situations.

WHY SHOULD I INVEST WITH YOUR COMPANY?

Why Should You Invest with Stryker Capital Group?

Now, you might be wondering, why should you trust us at Stryker Capital Group with your hard-earned money? It's simple: we are committed to transparency, trustworthiness, and a conservative approach that safeguards your investment from market corrections.

Conservative Approach

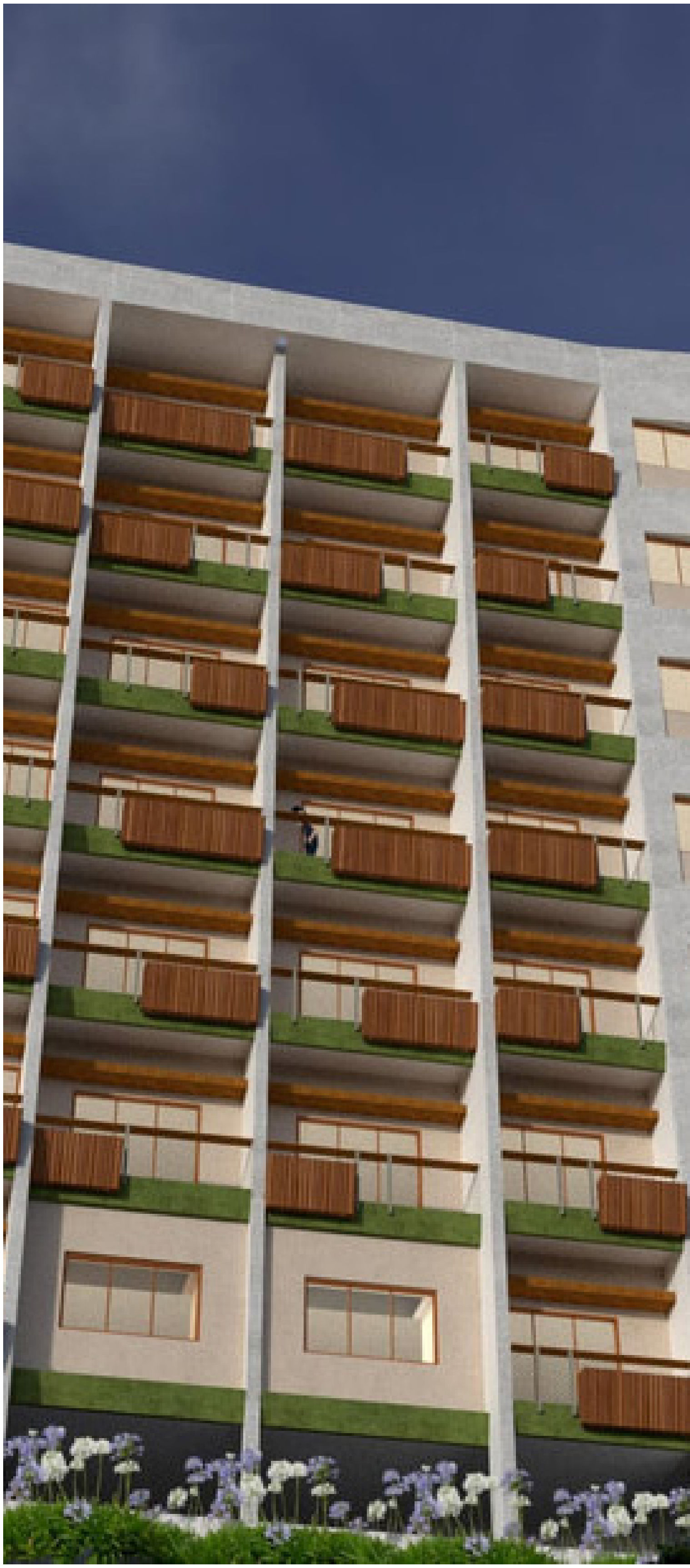
Unlike other sponsors, we are conservative when underwriting deals. We ensure plenty of reserves at closing and build those reserves while holding the property. We always buy for cash flow from day one and use long-term debt to ride out any potential recession. Plus, we project higher interest rates and lower values when it's time to sell, ensuring a safety net for your investment.

Transparency and Communication

We believe in transparency. At Stryker Capital Group, we provide regular progress reports and make ourselves available to our investors. Whether it's through emails or direct communication, we ensure you are always in the loop. Our monthly updates include detailed reports on the status of our business plan, financials, and any market changes affecting your investment.

Experienced Team

Our team consists of seasoned professionals who have been through market ups and



Vetting the Sponsor Team

Here are the questions to ask your sponsors and some of the answers to look for:

WHAT DIFFERENTIATES YOU FROM OTHER APARTMENT SYNDICATORS?

downs. We understand the real estate market and have successfully navigated through various challenges. This experience allows us to make informed decisions that protect and grow your investment.

Alignment of Interests

We get paid when you get paid. Our interests are perfectly aligned with yours. If there's no cash flow, no one gets paid. This ensures that we are always working towards maximizing your returns.

How to Get Started

Ready to take the next step? Join our Stryker Investor Club! By joining, you'll get access to our latest investment opportunities, educational content, and personalized support. Fill out a short questionnaire, schedule a call with our team, and start your journey towards financial freedom with Stryker Capital Group.

WHAT DIFFERENTIATES YOU FROM OTHER APARTMENT SYNDICATORS?

The passive investors who choose to invest with us at Stryker Capital Group do so because of our conservative approach, transparency, and trustworthiness. Unlike some other sponsors, we're conservative when we underwrite deals to protect our investors from any type of market correction.

Vetting the Sponsor Team

Here are the questions to ask your sponsors and some of the answers to look for:

WHO'S ON YOUR TEAM?

HOW WELL DO THEY COMMUNICATE WITH RENTERS AND OWNERSHIP?

We have plenty of reserves at closing and grow that reserve while we hold the property. We always buy for cash flow from day one and use long-term debt to ride out a recession if necessary, and we're projecting higher interest rates (and lower values) when it's time to sell. We are transparent, sending investors progress reports around the status of our business plan on a monthly basis. We also make ourselves available to our passive investors, responding to emails within a few hours if at all possible.

WHO'S ON YOUR TEAM?

Having the right team in place to run a property is crucial to the performance of multifamily. If you are dealing with an inexperienced or incompetent operator, they are liable to make mistakes. Mistakes that can cost you a lot of money. To mitigate the risk, learn about the background and experience of the real estate attorney, mortgage lender, and CPA the sponsor works with.

Most importantly, ensure that their property manager has a strong track record. How many units do they manage? How long have they been in business? Has the GP worked with them before? Do they have tenant screening systems in place? What is their policy around routine maintenance and inspections?

HOW WELL DO THEY COMMUNICATE WITH RENTERS AND OWNERSHIP?

The property management team plays a

Vetting the Sponsor Team

Here are the questions to ask your sponsors and some of the answers to look for:

DO YOU USE THE SAME PROPERTY MANAGEMENT COMPANY FOR ALL YOUR PROPERTIES?

WHO IS MY POINT PERSON?

HAVE YOU EVER BEEN SUED?

fundamental role in finding the right tenants and maintaining the property—which translates to consistent cash flow and the ultimate success of your investment.

DO YOU USE THE SAME PROPERTY MANAGEMENT COMPANY FOR ALL YOUR PROPERTIES?

The benefit to GPs who work with a single management company is that processes are streamlined and reporting is consistent. On the other hand, a GP may need to use more than one property management company if they source deals in multiple markets. If this is the case, ask if they are using a single asset manager across all of their properties and get to know that individual's experience and track record.

WHO IS MY POINT PERSON?

You should have a point of contact in the general partnership to reach out to with questions or concerns. Best case, they are an experienced team member who is actively involved in the deal.

HAVE YOU EVER BEEN SUED?

Although you have limited liability as a passive investor, a settlement or fine can have an impact on your returns. If the GP has been sued, find out why and what happened. Again, this isn't necessarily a deal breaker, but a deal sponsor who's been through a lawsuit should

Vetting the Sponsor Team

Here are the questions to ask your sponsors and some of the answers to look for:

HOW MANY OF YOUR INVESTORS HAVE INVESTED IN MULTIPLE ASSETS WITH YOU?

have implemented policies to minimize the risk of it happening again.

HOW MANY OF YOUR INVESTORS HAVE INVESTED IN MULTIPLE ASSETS WITH YOU?

The GP's retention rate is a good indication of their ability to meet or exceed expected returns. We also recommend contacting several of the GP's references to get a feel for their reputation in the community.

Vetting the Sponsor Team

Here are the questions to ask your sponsors and some of the answers to look for:

HOW DO YOU SOURCE DEALS?

WHAT IS YOUR REPORTING OR COMMUNICATION SCHEDULE?

HOW DO YOU SOURCE DEALS?

GPs can look for on-market deals (advertised publicly on the MLS) or find them off-market through a broker. The benefit of off-market deals is that they are less competitive and leave more room for negotiation—which translates to better purchase terms and higher cash-on-cash returns.

WHAT IS YOUR REPORTING OR COMMUNICATION SCHEDULE?

One of the most crucial traits to look for in a deal sponsor is strong communication or 'investor relations.'

At Stryker Capital Group, we send monthly updates to our investors; however, some GPs provide quarterly or annual reports.

The information included in an update will vary from GP to GP. Our monthly reports include occupancy rates, updates on the number of renovated units, details on our rental premiums and how they compare to our projections, capital expenditure updates, relevant updates on the market, and resident events. On a quarterly basis, we provide a link to the apartment's financial statements, including the T12 and the rent roll.

Generally speaking, you want to stay on top of the investment's performance and be informed right away should things not go according to plan.

Vetting the Sponsor Team

Here are the questions to ask your sponsors and some of the answers to look for:

WHAT IS YOUR POLICY FOR ESTABLISHING RESERVES TO COVER POTENTIAL SHORTFALLS?

CAN YOU GUARANTEE A RETURN?

If you're dealing with a credible GP, the answer to this question will be no. Any return they offer should be a projection rather than a promise.

Evaluating the Sponsor's Investment Strategy

QUESTIONS TO ASK:

- How do you source deals?
- What is your reporting or communication schedule?
- Can you guarantee a return?
- How frequently are investors paid?
- What is your policy for establishing reserves to cover potential shortfalls?
- How much capital are you setting aside for reserves each year?
- How do you make money on a deal?
- What will you do to protect me from a market downturn?

WHAT IS YOUR POLICY FOR ESTABLISHING RESERVES TO COVER POTENTIAL SHORTFALLS?

The GP should ALWAYS have a contingency fund to cover shortfalls, especially if they do value-add or distressed deals that require renovations. Syndicators should also have money set aside to cover unexpected dips in occupancy or unforeseen maintenance issues. A smart GP will save $300 per unit per year for reserves to cover shortfalls or unexpected CapEx projects. (If they fail to do this and unforeseen expenses pop up, they may come to you for additional capital.)

Here are the questions to ask your sponsors and some of the answers to look for:

HOW DO YOU MAKE MONEY ON A DEAL?

WHAT WILL YOU DO TO PROTECT ME FROM A MARKET DOWNTURN?

WHAT IS YOUR POLICY FOR ESTABLISHING RESERVES TO COVER POTENTIAL SHORTFALLS?

HOW DO YOU MAKE MONEY ON A DEAL?

Usually, GPs receive an acquisition fee and earn money for ongoing asset management and equity ownership. The GP should only charge fees based on the value they provide, but it is up to you to keep them honest! (The GP's comprehensive list of fees should be included in the PPM for any given deal.)

WHAT WILL YOU DO TO PROTECT ME FROM A MARKET DOWNTURN?

- Experienced Team
- Long-Term Debt
- Conservative Exit Cap Rates
- Plenty of Reserves at Close
- Monthly Reserves from Cash Flow ($250/ Unit/Year)
- Value-Add to Build Equity

WHAT IS YOUR POLICY FOR ESTABLISHING RESERVES TO COVER POTENTIAL SHORTFALLS?

There's no way to predict what's going to happen in the real estate market. With the ongoing threat of tariffs and an upcoming election, many passive investors are skittish about putting their money in multifamily. But

Vetting the Sponsor Team

Here are the questions to ask your sponsors and some of the answers to look for:

INVEST WITH AN EXPERIENCED TEAM

CASH FLOW FROM DAY 1

there are things you can do to protect yourself from a recession while you continue to grow your wealth with apartment building investing!

INVEST WITH AN EXPERIENCED TEAM

The most important thing you can do to protect yourself from a market downturn is to choose an operating team with a track record of success. When the General Partners (GPs) on a deal know what they're doing, you can rest assured that they will pick the right kind of property in the right market.

Does that mean you should run from a syndicator who's only done one or two multifamily deals? Not necessarily. Look at the team they have built and consider their background in apartment building investing. Does the operator have experienced team members, mentors, or advisors? Look at their professional track record outside of real estate. Has the operator set and achieved noteworthy goals?

CASH FLOW FROM DAY 1

Another way to keep your investment safe from the possibility of a market downturn is to put your money in deals that cash flow from Day 1. If the property is bringing in money when you buy it, you can ride out any economic storm. This is a big part of the reason why we stay away from ground-up development. There is no cash flow to service your debt should the economy go south. But if you invest in a stable

value-add deal, for example, the rental income you're getting from the very beginning will pay the bills.

A smart syndicator will have plenty of money in the bank at closing to cover unexpected expenses regardless of market conditions. But it is especially crucial to have reserves in an uncertain market. Unforeseen circumstances (e.g., roof repair, flood damage, etc.) will arise—that's just part of the process. So, to protect yourself from a market downturn, be sure that your operator has a good chunk of change in escrow to handle emergencies. They should also be taking money out of cash flow regularly to add to those reserves.

Embrace Conservative Assumptions for Smart Investing

Let's talk about playing the long game, my friends. One way you can protect yourself from market downturns is by investing in deals with conservative underwriting. Here's the deal: Operators who base their projections on best-case scenarios are inviting trouble. So, what should a smart, passive investor be on the lookout for? Here's what you need to know:

1. **Reporting and Communication Schedule:** How often are you getting updates? Stay in the loop!
2. **Guarantee of Return:** Can the operator guarantee returns? Know your risks.
3. **Frequency of Investor Payments:** When can you expect your returns?

4. Reserve Policies: How do they handle reserves for potential shortfalls? What's their strategy?
5. Annual Capital for Reserves: How much are they setting aside each year to cushion against unexpected events?
6. Profit Mechanism: How do they make money on the deal? Understand their business model.
7. Market Downturn Protection: What are their strategies to safeguard your investment during a market slump?

Key Metrics to Watch

- Rental Increases: These should be conservative, matching the median pricing in the current market.
- Vacancy Rates: Look at both physical and economic vacancy. In heavy value-add deals, a 5% or 8% vacancy rate isn't conservative, especially in a downturn. Aim for projected vacancy rates of at least 10% to be on the safe side.
- Exit Cap Rate: This is crucial. The cap rate depends on asset vintage, location, and market conditions. At Stryker Capital Group, we aim for a conservative exit cap rate, typically higher than the purchase cap rate. This might change based on where we are in the market cycle. If cap rates are high at purchase, we can assume they might be lower at exit.

By focusing on these conservative assumptions, you're setting yourself up for success, regardless of market conditions. Remember, it's all about playing the long game and protecting your investments with smart, strategic decisions. Let's go out there and make it happen!

Here are the questions to ask your sponsors and some of the answers to look for:

WHY IS THE OWNER SELLING?

IS THE PROPERTY BEING ACQUIRED FOR LESS THAN COMPARABLE APARTMENT BUILDINGS IN THE AREA?

WHY IS THE OWNER SELLING?

Let's break it down. There are several reasons why an owner might sell a property:

1. **Retirement:** They're ready to kick back and enjoy life.
2. **Upgrading:** They want to move on to bigger, better properties.
3. **Underperformance:** The property isn't performing as expected, and they might be tired of trying to turn it around or lack the capital to do so.
4. **Flipping:** They've done the heavy lifting with renovations but left some "meat on the bone" for the next buyer to add value.

At the end of the day, it doesn't matter why the seller is selling, as long as it's a good deal for you!

IS THE PROPERTY BEING ACQUIRED FOR LESS THAN COMPARABLE APARTMENT BUILDINGS IN THE AREA?

Here's a key principle: The total cost of purchase plus capital expenditures should be less than the value of comparable properties in the area. If not, the general partner (GP) is paying too much. Keep an eye on those numbers!

Vetting the Sponsor Team

Here are the questions to ask your sponsors and some of the answers to look for:

WHAT IS THE CAP RATE GOING IN?

WHAT ARE THE MAJOR RISKS ASSOCIATED WITH THIS PROJECT?

WHAT IS THE CAP RATE GOING IN?

Understand the cap rates. What's the stabilized cap rate, and how does it stack up against the market cap?

For value-add or distressed deals, the initial cap rate might not be as crucial since the NOI is lower at purchase. In such cases, focus on the stabilized cap rate and compare it to the market cap. A higher stabilized cap rate means more equity is being built in the property.

WHAT ARE THE MAJOR RISKS ASSOCIATED WITH THIS PROJECT?

Be wary of any GP who claims there are no risks. A savvy syndicator should know the potential issues related to the deal, the market, or their team—and have a solid plan to mitigate those risks. Remember, understanding and managing risk is key to successful investing.

Let's take these insights and power forward, making smart, informed decisions that drive success. You've got this!

Key Questions to Empower Your Multifamily Investment

Let's get into the nitty-gritty, folks. Here are the critical questions you need to ask to ensure your investment is solid.

Vetting the Sponsor Team

Here are the questions to ask your sponsors and some of the answers to look for:

HAVE YOU INSPECTED THE MAJOR SYSTEMS OF THE MULTIFAMILY PROPERTY?

HOW LONG WILL MY MONEY BE TIED UP IN THE DEAL?

ADDITIONAL VITAL QUESTIONS

HAVE YOU INSPECTED THE MAJOR SYSTEMS OF THE MULTIFAMILY PROPERTY?

It's crucial that the GP, or a qualified member of their team, has personally inspected the major systems of the property—plumbing, roof, siding, windows, and HVAC. Don't just rely on the current owner or a real estate broker's word. This hands-on inspection is vital for accurately putting together the capital expenditures budget. If any of these systems need work, that's a risk you need to be aware of.

HOW LONG WILL MY MONEY BE TIED UP IN THE DEAL?

Understand the timeline. The GP should provide a clear projection of the hold period and the exit strategy. An exit could be a cash-out refinance, where most or all of your principal is returned, or an outright sale. Typically, multifamily business plans take 5 to 7 years to execute. Know what you're getting into and for how long.

Additional Vital Questions

- What is the Minimum Investment? The minimum investment amount usually increases with the GP's experience and the size of the project. Ask this early to ensure you have the necessary capital to participate.
- How Much Are You Investing in the Deal?

At Stryker Capital Group, our GPs invest their own capital in every deal to ensure that your interests are aligned. This also demonstrates their confidence in the deal and its projected returns.

By asking these questions, you're not just an investor—you're an empowered decision-maker. Let's make sure every move you make is a step towards financial freedom and success. You've got this!

THE POWER OF INVESTING YOUR OWN CAPITAL: A DEEPER DIVE

Alright, let's get real about investing. The general idea is that when sponsors put their own money into a deal, they're more motivated to make sure it succeeds and doesn't lose money. But here's the real question: how crucial is it for a sponsor to invest their own capital? And is it a deal-breaker if they don't?

As sponsors, there's no better place for us to park our money than in these syndications. It's key to understand why a syndicator might put in less money and seem to have less skin in the game.

Why Sponsors Might Invest Less of Their Own Capital

It's not usually because the sponsor doesn't want to invest their own capital. More often, it's because they need liquidity for various essential reasons:

1. Securing Bank Loans: Sponsors need to show liquidity to get bank loans approved.
2. Emergency Fund: Keeping some liquidity as a safety net is crucial.
3. Deposits on New Deals: Sponsors need cash on hand to put deposits down on new deals.

If a sponsor lacks liquidity, it can put them in a tough spot. For example, placing bids on multiple multifamily deals could easily tie up $300,000 to $400,000.
It's a valid question if an investor asks a sponsor how much of their own capital they are putting into the deal, and the sponsor replies with "none." It's totally fair to ask, "Why not?"

Transparency and Trust

If a sponsor says they don't want to invest because they're unsure about the deal, that's a big red flag. But typically, at least in our case at Stryker Capital Group, if we're not putting in money or putting in less than the minimum, it's due to these liquidity issues.

To keep the deal flow going strong, maintaining liquidity is vital. It's all about being transparent and understanding the strategic reasons behind these decisions. So, let's move forward with clarity, making smart, informed choices that set us up for success.
You've got this!

ALIGNING INTERESTS: THE POWER OF SKIN IN THE GAME

Let's get to the heart of the matter, folks. The big question about having "skin in the game" is really about how aligned the General Partners (GPs) are with the Limited Partners (LPs). In simple terms, how much do the operators care about the deal, and if things go south, will the GPs feel the impact just like the LPs? Could one party simply walk away? Let's break it down.

Skin in the Game: More Than Just Capital

Sure, it's great for a sponsor to show they have skin in the game by investing their own capital. Believe me, they would LOVE to put their money into every multifamily deal. But what's even more critical is that the GPs have liquidity. That's the real question investors should be asking: how much liquidity do the sponsors have to ensure the deal stays on track?

What happens if something goes wrong with the deal? Sponsors don't want to call up investors and say, "Hey, something went wrong, and we need another half million dollars." We're much more inclined to cover it ourselves, which is why liquidity is crucial.

Alignment of Interests

What's most important is that interests are aligned. The operators should be motivated to do an excellent job. One way to ensure this is by aligning the equity and the fees. If the property makes money, both the GPs and the LPs should benefit. Misalignment occurs when the property makes money and only the GPs or the LPs benefit. This can happen with preferred returns, where LPs make money but GPs don't, creating a misalignment of interests. Remember, GPs don't make money in the actual deal unless the property is profitable.

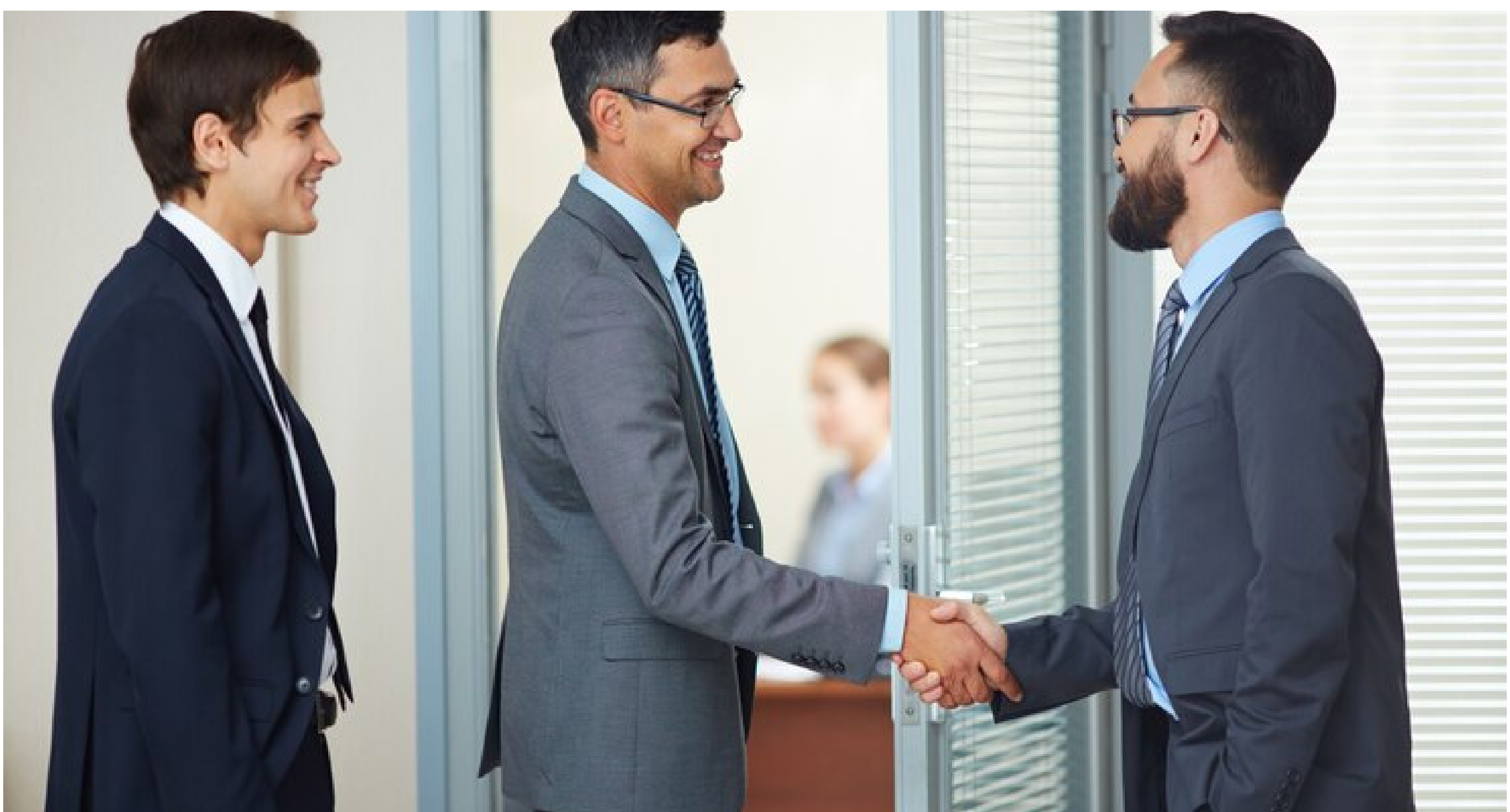
The Stakes for General Partners

GPs are highly incentivized to make that equity valuable because if they don't, it's worthless, and we end up working for free. Also, keep in mind that GPs are guaranteeing the loans. If there's a default, LPs might lose their capital, but GPs face lawsuits. The downside can be severe for GPs. So, while it's worth asking how a sponsor has skin in the game, it shouldn't be a deal-breaker if they aren't investing their own cash into the deal.

A Long-Term Partnership

The partnership between multifamily operators and their investors should be viewed as a long-term relationship where both parties look after each other's best interests. Operators need to be transparent about their liquidity requirements and show confidence in their team. Investors need to understand the additional risk that operators take on by guaranteeing loans and recognize the importance of available liquidity.

To our current investors, thank you for taking the time to educate yourself. As you do, you're getting better. No one cares about your wealth quite like you do.



Key Questions to Empower Your Investment Strategy

Here are the questions to ask your sponsors and some of the answers to look for:

Is This a 506(b) or 506(c) Offering?

How Did You Come Up with the Capital Expenditures Budget for This Investment Deal?

KEY QUESTIONS TO EMPOWER YOUR INVESTMENT STRATEGY

Let's dive into some critical questions you need to ask to make sure your investment is rock solid.

IS THIS A 506(B) OR 506(C) OFFERING?

Understanding the type of offering is crucial. The 506(c) allows the GP to advertise the deal to the public, while the 506(b) does not. More importantly, the 506(b) allows up to 35 unaccredited investors to contribute capital to the security. On the other hand, 506(c) offerings are open only to accredited investors, and the GP must verify your accredited status through a third-party review of tax returns, bank statements, or written confirmation from a broker, attorney, or CPA.

HOW DID YOU COME UP WITH THE CAPITAL EXPENDITURES BUDGET FOR THIS INVESTMENT DEAL?

The CapEx budget you review should include a detailed breakdown of how much money will be allocated to each project. Did the GP just assume the costs, or are the numbers based on bids from contractors who inspected the property? The latter is obviously preferable. Also, check what percentage of the CapEx is dedicated to a contingency fund, ideally 10% to 20% of the total budget.

Key Questions to Empower Your Investment Strategy

Here are the questions to ask your sponsors and some of the answers to look for:

Are the Tax Assumptions Based on What the Current Owner Is Paying or the Purchase Price?

What Is the Debt Structure on This Deal?

ARE THE TAX ASSUMPTIONS BASED ON WHAT THE CURRENT OWNER IS PAYING OR THE PURCHASE PRICE?

The GP should base tax assumptions on the purchase price, not what the current owner is paying. You can verify this yourself by looking up the tax rate on the county auditor's website and multiplying it by the purchase price.

WHAT IS THE DEBT STRUCTURE ON THIS DEAL?

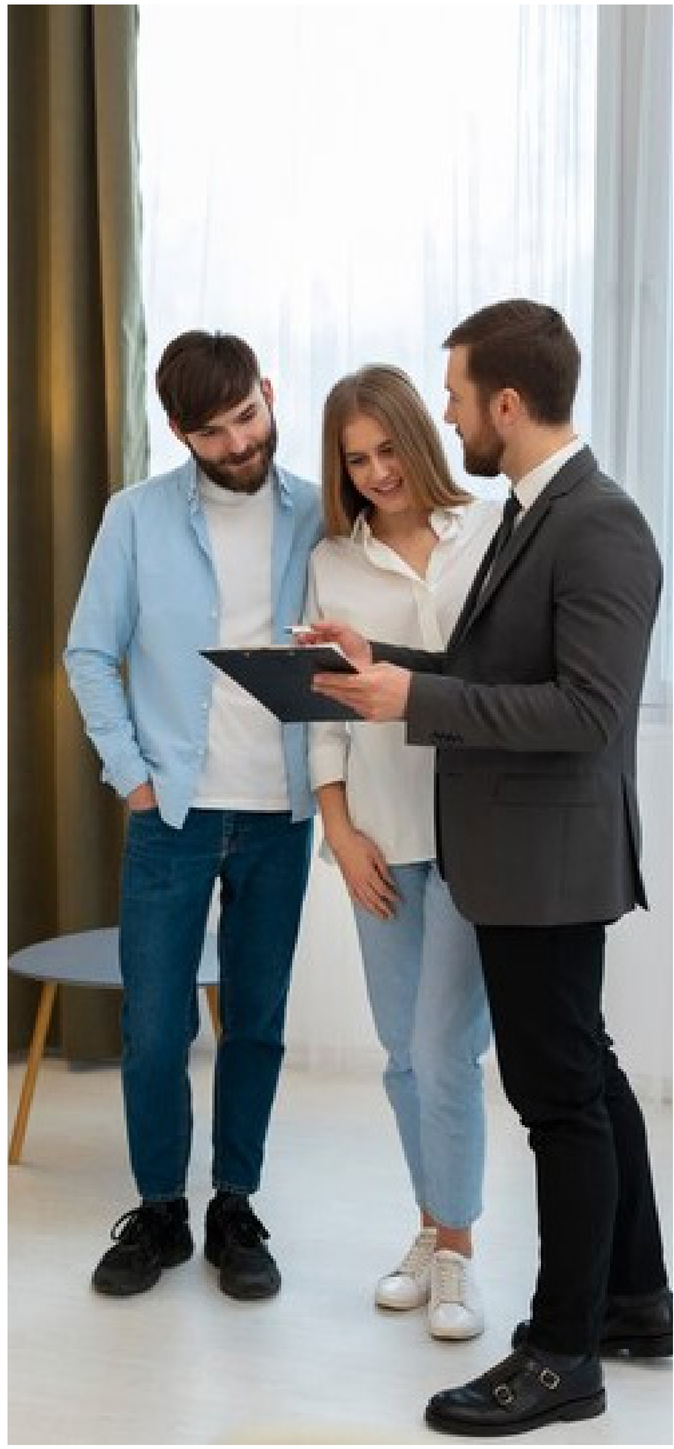
Has the GP secured financing, or are they basing projected returns on assumptions? Is the loan short-term or long-term? What is the interest rate, and is it locked-in or variable?

Asking these questions ensures you have a clear picture of the investment landscape and safeguards your interests. Always aim for transparency and alignment with your partners, setting yourself up for financial success.

You've got this!

MASTERING MARKET ASSUMPTIONS: YOUR PATH TO FINANCIAL FREEDOM

Alright, let's break it down. Here are the essential questions and assumptions you need to understand to ensure your investment strategy is bulletproof.



WHAT ASSUMPTIONS ARE BEING MADE TO CALCULATE THE SALES PROCEEDS?

When dealing with distressed or value-add deals, most of your profit comes when the property sells. So, how does the GP determine the exit NOI, exit cap rate, closing costs, and any remaining debt? These factors are crucial for understanding your potential returns.

HOW DO YOU CALCULATE THE EXIT CAP RATE?

To stay conservative, we at Stryker Capital Group assume the market will be worse at sale than at purchase. However, if we know the market is already struggling, we might assume the exit cap rate will be the same or slightly better. The cap rate is calculated based on the asset's vintage, location, and market conditions.

UNDERSTANDING THE DEBT STRUCTURE

What is the debt structure on this deal? Has the GP secured financing, or are they basing projections on assumptions? Is the loan short-term or long-term? What is the interest rate, and is it locked-in or variable?

Deep Dive into Market Research

Understanding your market is critical. Here are some key questions to ask:

1. **Market Qualification:** What factors do you use to qualify a market, and what attracted you to the current investment markets?

   - Look for unemployment rates, population growth, demographics, job diversity, top employers, and supply-demand dynamics. A growing and stable market is ideal.

2. School Districts: What can you tell me about the school district where the apartment community is located?

   - High-quality schools attract tenants and give a good sense of the area's overall quality.

3. Crime Statistics: What are the crime stats in the area?

   - High crime rates can deter renters. Look for trends, and remember that a downward trend is positive. Check out CrimeReports for stats.

4. Median Income: What is the median income in this particular market?

   - Ensure prospective tenants earn enough to support the rent. Typically, people spend 25% to 35% of their income on housing. Use Census Bureau data to confirm that the median income is 3 to 4 times the projected annual rent.

ALIGNING INTERESTS FOR SUCCESS

It's all about alignment. The GPs need to have liquidity to keep the deal on track and ensure interests are aligned so that both GPs and LPs benefit from the property's success. Misalignment happens when only one party profits. GPs must guarantee loans, and if there's a default, they face severe consequences.

So, while it's essential to ask how much skin the sponsor has in the game, lack of personal cash investment shouldn't be a deal-breaker. Transparency, understanding liquidity requirements, and recognizing the risks operators take on are key to building a strong, successful partnership.

To our current investors, thank you for your commitment to educating yourselves. As you do, you're positioning yourself for greater success. No one cares about your wealth quite like you do.

You've got this!

MASTERING MARKET VACANCY RATES: YOUR BLUEPRINT FOR SMART INVESTING

What Is the Market Vacancy Rate and How Was It Calculated?

Knowing the average vacancy rate is crucial. It's the number of unoccupied units divided by the total number of units in a multifamily building. This information helps you compare it to the assumed vacancy rate for a specific deal, giving you a clear picture of the market landscape.

If you're ready to leverage your newfound knowledge of passive investing and become part of the Stryker Capital Group network, visit Stryker Capital Group to get started!

MULTIFAMILY SYNDICATION GLOSSARY

ACCREDITED INVESTOR	An Accredited Investor meets specific criteria regarding income or net worth. Currently, you must have an annual income of $200,000 (or $300,000 joint income) or a net worth of at least $1M, excluding your primary residence. Visit the SEC website for more details.
SOPHISTICATED INVESTOR	Sophisticated Investors possess the knowledge and experience in apartment building investing to assess the pros and cons of a multifamily opportunity and make informed decisions. While they may not be accredited, they often have attended investing seminars or made investments outside the stock market.
GENERAL PARTNER (GP)	The GP manages the day-to-day operations of a property and is responsible for executing the business plan. They have unlimited liability and are also known as the syndicator, sponsor, or operator in multifamily syndications.
LIMITED PARTNER (LP)	In a multifamily syndication, the LP is a passive investor who provides part of the capital necessary to purchase a property. The LP's liability is limited to their share of ownership in the apartment building.

MASTERING MULTIFAMILY INVESTMENT METRICS:

NET OPERATING INCOME (NOI)	Net Operating Income (NOI) is the income a property generates minus its expenses, excluding capital expenditures and debt service (like your mortgage payment). It's the lifeblood of property performance, folks.
CAPITAL EXPENDITURES (CAPEX)	CapEx, or Capital Expenditures, are the funds used for major renovations in an apartment community. This includes big-ticket items like repairing parking lots, replacing roofs, or installing new cabinetry. It's about making significant improvements that boost property value.
DEBT SERVICE	Debt Service is the annual mortgage payment made to a lender, which includes both principal and interest. Understanding this helps you see the full financial picture.
CAPITALIZATION RATE (CAP RATE)	The Cap Rate reflects the expected return on an investment property. It's calculated by dividing the property's NOI by its current market value. Remember, the cap rate has an inverse relationship with property value: lower cap rate, higher price; higher cap rate, lower price.
AVERAGE ANNUAL RETURN (AAR)	The Average Annual Return (AAR) combines all returns—cash flows and profit at resale—divided by the invested amount, then by the number of years of the investment. For example, if you made $75K over 5 years from a $100K investment, your AAR is 15%.

MASTERING MULTIFAMILY INVESTMENT METRICS:

INTERNAL RATE OF RETURN (IRR)	IRR is the gold standard for comparing investment vehicles. It factors in all future anticipated cash flows, principal debt paydown, and proceeds from refinancing or sale. IRR accounts for the time value of money, making it a powerful but complex metric.
CASH-ON-CASH RETURN (COC RETURN)	This metric evaluates real estate earnings by taking the annual cash flow and dividing it by the invested amount. For example, if you get a $10K distribution in a year from a $100K investment, your CoC return is 10%.
PREFERRED RETURN	A Preferred Return is the minimum return that LPs receive before GPs collect payment. It ensures LPs see returns first, aligning interests.
DISTRIBUTIONS	Distributions are the LP's share of profits, paid monthly, quarterly, or annually, and upon refinancing or sale of the property.
UNDERWRITING	Underwriting evaluates a multifamily community's potential returns and determines an offer price. It's the foundation of a solid investment strategy.
PRO-FORMA	A Pro-Forma is a projected budget for an apartment building's income and expenses over the next 12 months and 5 years. It's your financial roadmap.
RENT COMPARABLE ANALYSIS	This involves studying similar properties in the area to establish market rents and understand competition, informing your Pro-Forma projections.
LETTER OF INTENT (LOI)	An LOI is a non-binding agreement submitted by the GP to propose key purchase terms like price, down payment, and time to close. Once agreed upon, attorneys draft the Purchase and Sales Agreement (PSA).

MASTERING MULTIFAMILY INVESTMENT METRICS:

Private Placement Memorandum (PPM)	The PPM is a legal document required by the SEC outlining the objectives, risks, and terms of an investment. It's prepared by specialized attorneys to ensure compliance and transparency.
Exit Strategy	The Exit Strategy is the plan for cashing out investors, either through refinancing or selling the property once the business plan is realized.
Permanent Agency Loan	This is a guaranteed government mortgage from Fannie Mae or Freddie Mac, offering the lowest rates and longest terms. These loans require at least 90% occupancy.
Bridge Loan	A Bridge Loan is a short-term, higher-interest mortgage used when a property's occupancy is below 90% and doesn't qualify for an agency loan. It helps reposition the property until it can be refinanced with an agency loan.
Refinance	Refinancing replaces the existing debt on a property with a new loan under different terms. In value-add or distressed syndications, refinancing after increasing property value can return a portion of the LP's equity investment. Ready to elevate your investment game? Dive deep, ask the right questions, and take control of your financial future. You've got this!

WHY SHOULD YOU INVEST WITH STRYKER CAPITAL GROUP?

Now, you might be wondering, why should you trust us at Stryker Capital Group with your hard-earned money? It's simple: we are committed to transparency, trustworthiness, and a conservative approach that safeguards your investment from market corrections.

Conservative Approach

Unlike other sponsors, we are conservative when underwriting deals. We ensure plenty of reserves at closing and build those reserves while holding the property. We always buy for cash flow from day one and use long-term debt to ride out any potential recession. Plus, we project higher interest rates and lower values when it's time to sell, ensuring a safety net for your investment.

Transparency and Communication

We believe in transparency. At Stryker Capital Group, we provide regular progress reports and make ourselves available to our investors. Whether it's through emails or direct communication, we ensure you are always in the loop. Our monthly updates include detailed reports on the status of our business plan, financials, and any market changes affecting your investment.

WHY SHOULD YOU INVEST WITH STRYKER CAPITAL GROUP?

Experienced Team

Our team consists of seasoned professionals who have been through market ups and downs. We understand the real estate market and have successfully navigated through various challenges. This experience allows us to make informed decisions that protect and grow your investment.

Alignment of Interests

We get paid when you get paid. Our interests are perfectly aligned with yours. If there's no cash flow, no one gets paid. This ensures that we are always working towards maximizing your returns.

How to Get Started

Ready to take the next step? Join our Stryker Investor Club! By joining, you'll get access to our latest investment opportunities, educational content, and personalized support. Fill out a short questionnaire, schedule a call with our team, and start your journey towards financial freedom with Stryker Capital Group.