

"LETTERS OF INTENT" FLAGS UP!

IS THIS GUY FOR REAL?



BY JOSEPH ANDAHAZY

Ten months ago, I was commissioned to refinance a very large “entitled” land parcel in the low country section of South Carolina. The loan request was calculated just north of \$30,000,000. As this was a sizable

loan amount, and land financing to boot, I began thinking...”Am I that insane to spend another minute on this?” Instantly I knew our primary investor pool would not entertain this scenario.

I initially had reservations taking on this request as I knew the search itself would be challenging. And just as I predicted, upon presenting the scenario to a few initial investors, they laughed and followed up with “Good Luck” or “Not in this lousy market!” If the subject property was not a cash-flowing entity, or a “lien free”

land parcel, most investors were just not interested.

However, I was compelled to push forward, mainly because I get a gut feeling about things and then I just can’t let it be. Part of that feeling came from previewing the clear and concise details of the land entitlements for the proposed development. My client had spent the better part of four years and several million dollars engineering a smart community layout comprised of 4,000+ residential homes and a little more than 400,000 sq ft. of commercial space. Handed to me on four CDs were 126 files of the complete project. Everything you could possibly think of was designed, approved and market ready. Rarely do we get information as organized as this project was.

I spent the better part of a week reading environmental and transportation studies, the appraisal, the community support position papers, cost estimates, the land improvements data, economic projections,

demographic forecasts, press releases and then finally the comprehensive business plan. With a little intervention and our suggestions to “simplify” the executive summary for marketing to investors, I felt confident I had a shot at finding a capital resource...but where?

After some obvious frowns from initial investors and venture firms who agreed the project was “slick” and well thought-out, but scratched their heads and threw up their hands saying...”Joe, I just don’t know what to tell you”.

I quickly realized it was time to pound the keyboard and find new sources of private funding via the web. After contacting a few listings about their services, most simply forgot their web sites were still advertising they finance land and they were no longer accepting applications for land – period! Some who still considering financing entitled raw land were only doing so under strict conditions. Either the property had to be in their own back yard with no encumbrances, or near a metropolitan area designated for BRAC (Base Realignment and Closure) expansion plans, or some other significant improvement such as a very large company moving their operations with 25 miles of that land.

After not having much success, I decided to “post” my loan scenario on several industry based web sites. I figured instead of me finding them...let them find me! I even posted it as part of my profile on an international professional networking web site. This site allows you to connect with other business-minded contacts in the European and Asia markets. I was now thinking globally to possibly catch the interest of an off shore investor. Certainly somebody out there with \$30,000,000 is ready to see this as a great opportunity. “Curse the naysayers!”

While that was cooking, my next move was to try and find an investor whose heart was in South Carolina. You know, find that Big Shot person in the low country who would love to be a player in financing a large land parcel. I called the mayor’s office, the chamber of commerce, service >



clubs and the realtor's association looking for ideas. I was searching for that good old southern gent with old money. I even called all the local banks to see if they knew of anyone on their board of directors who might want to have their name engraved in the local press. Most responses were the same... "Take a hike fella!"

By the way... bank people seriously lack a sense of humor.

As I pressed on, I discovered I was actually having some fun coming up with all these ideas. It was like being lost with no map and I was left to my own devices to figure out what I should try next. I soon began to reflect and recall the many voices of my favorite motivational speakers whose books I've read and seminars I've attended over the years. Napoleon Hill was now pushing me forward. How could I lose? But the clock was ticking.

As the weeks and then months passed, my "needle in the haystack" venture clearly was having its way with me and I started to question my motivation. I set the file aside for a while and there it sat staring at me for days on end as I worked other deals worthy of an investor's time.

Then after about six months of searching, I received

an email from someone who read my information on the international networking web site. He was the CEO of a large corporation in Saudi Arabia which owned and operated several smaller companies in the Middle East. His email further stated he had read my profile and my quest for funding a large project in South Carolina. He wanted to learn more about the opportunity.

First flag. I thought..."OK, is this guy for real? Saudi Arabia? I was curious, so I quickly performed an independent search and found that his company did exist and discovered he was also a long time member of the US-Saudi Arabian Business Council. I called the council, which was close by in northern Virginia, and learned he was a very well respected member with a long history of successful business relationships here in the US.

I even called the US Department of Commerce to inquire about working with a foreign company and asked if they had anything on record regarding this company. Again the news was positive. I must admit, I began to think there might be something good happening about all this but was this "fait" or was it "bait"? I was a bit nervous, but it was totally driven by pure excitement. However, I was taking a giant leap of faith on this one.

Several email exchanges ensued describing the property and loan details further with my new contact. He then stated he would be directing his counsel to contact me regarding moving forward and within a week, I had received a signed "Letter of Intent". The cover letter and loan documents certainly looked official. However, I did noticed a few misspelled words and sentence fragments but I chalked it up as foreigners finding the English language difficult to understand.

However, after a short dance I stopped and thought..."I have to be sure". We consultants are skeptics of things just too good to be true. I wanted to believe I had finally found a source of funding for this unique loan scenario. I wanted to believe the investor was truly for real and investing here in the United States was his way of expanding his corporate reach. I wanted to believe I had found, not only the funds for this deal, but future deals to follow. In an uncertain economy forcing the hand of most investors to hold cash close to the vest, I needed someone with "fresh eyes" to see the sun was certainly going to shine again.

But I had to be sure so did some more investigating. I went directly to this investor's web site and sent a message through the contact form regarding the Letter of ▶

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Intent I had received. I also called the US-Saudi Arabian Council and explained my concern regarding my efforts to speak directly with the investor and verify his offer. They suggested I call him directly, and I said a call coming from the council would probably trigger a response more quickly, and so they agreed.

A week went by and during this period I received another email by the investor’s counsel wanting to know if I had received the Letter of Intent and if there was a problem with moving forward quickly. Second Flag! I don’t do anything that quick at my age except run to the toilet! I replied asking for a conference call first with the investor or his designated representative on this matter. After all, conference calls are SOP in this business; even way before receiving a Letter of Intent. But maybe they did things differently overseas. What was I to know? The counsel member agreed and emailed his office number. I quickly learned the number was a listing in London. Again, I thought the investor is an international player and hired a trustworthy attorney who just happened to not live in SA. Again, what did I know?

The call was set for the next day in the afternoon. That next morning in my inbox, I had a reply to the email I sent through the investor’s web site. Guess what? They never heard of me, or the deal in South Carolina and wanted to know who had contacted me. WOW! Third Flag! I was being scammed. A wolf in sheep’s clothing. I won’t go into all the nitty-gritty details that ensued between the “real company”, me and the US-Saudi Arabian Council, who also finally called back to say I was being scammed, but here’s what this imposter did to shield his identify.

He search online and found a company’s profile to steal. He copied the actual CEO’s photo, bio, company logo and web text off the legitimate company’s web site and created a new profile on the professional networking web site. Everything he did was well thought out and looked very professional. The only small change he made to conceal himself was to create a similar looking email address by changing two letters in the URL portion of the address to capture all responses.

He almost had me. Imposter’s like him fish for deals like mine in hopes of collecting “upfront fees”, which can be large in this business for due diligence purposes. During the last ten months since I’ve been on this project I have been contacted by two other imposters who read my loan scenario posted on other industry web sites. They actually >

hosted conference calls with my clients, but as our vetting became more refined, we shut them down fast.

In closing I've learned that anybody can produce anything to get something for nothing.

There is a lesson here for everyone who thinks their web site information is safe. It should be protected so it can not be copied and reproduced.

Lastly, I did find a legitimate funding source for my client. I've sat in their conference room face-to-face and I got to tell you, there's nothing like it. Good old fashioned networking and hand shaking. And now I'm better at reading flags.

Joseph Andabazy is the managing principal of Fair Market Funding LLC, in Alexandria Virginia. An independent real estate finance consulting company specializing in corporate loan structuring, sourcing capital required for debt and/or equity through private investors funding commercial and investment properties. Email: info@fairmarketfunding.com Office: 703-879-1828
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