PYRAMID OF PRIORITY

REASONS

Types of Deals: Discounted Pay Offs ("DPOs")

. Bankers at smaller community banks are the first to know if any of their borrowers have delinquent loans, or are at risk of having delinquent loans, that the bank is unable to extend terms for or refinance.

. Great source for deals where their borrowers have these banks tied up in bankruptcy; student/intermediary can provide Debtor-in-Possession ("DIP") financing Receive many leads from new and qualified borrowers but are forced to turn many of them down.

4. Perhaps the fastest, most effective way to get new, fresh leads.

COMMERCIAL BROKERS AND SALES PROFESSIONALS

Types of Deals: New Acquisitions **REASONS WHY:**

1. Most of their buyers need quick financing and equity to get their deals closed so they can make their sales commissions. 2. Always in contact with buyers who are looking for something interesting to buy but don't have the all of the capital they need.

"BIG BOY" INDUSTRY CONFERENCES

Types of Deals: (Mostly) New Acquisitions **REASONS WHY:**

1. This is where the experienced sponsors / operators go to find new capital and deal flow. Many deals get done at these conferences. 2. These sponsors / operators typically have a portfolio that can be leveraged into larger "structured products", such as a Credit or Equity Facility, that can be used to buy more assets

COMMERCIAL PROPERTY MANAGERS

Types of Deals: Discounted Pay Offs ("DPOs")

REASONS WHY:

1. If and when any legal notice is filed, such as a notice of default, the property manager is the first to know. 2. Many times, sponsors / operators expect the property managers to do the "heavy lifting" of getting their loans refinanced.

3. Very easy to get deals quickly as PMs have influence over owners to make decisions and have intimate knowledge of the asset (Example: The 5 Data Points).

SPECIAL SERVICERS

Types of Deals: Discounted Pay Offs ("DPOs"); "Super C" Loans

REASONS WHY:

. Special Servicers need to get paid. On non-performing loans or loans collateralized by land, "busted" developments, or any other non-income producing assets, special servicers can get their fees immediately by placing a low LTV loan collateralized by the asset.

Less Special Servicers can place liens on these assets to cover their fees; however, they will have to wait until the property sells to get paid. This is not a very viable option when payrolls need to be made. Special servicers who service loans originated by hard money lenders face dealing with many fragmented, mom-and-pop beneficiaries who do not answer capital calls and make it effectively prohibitive

TITLE COMPANIES Types of Deals: Discounted Pay Offs ("DPOs"); New Acquisitions

REASONS WHY:

to pay expenses.

1. Title companies know who's in default and when the foreclosures are scheduled.

2. Deals usually fall out of escrow because a traditional lender pulls out at the last minute. Borrowers at this point will pay higher fees and interest just to make certain that they don't lose their non-refundable earnest deposit. Bridge and discretionary capital providers can work fast to help get the deal closed with less stringent underwriting requirements. 3. Typically their empoyees are salaried and are not paid by the hour, so they have the time for you to wine and dine them.

RESIDENTIAL MORTGAGE BROKERS Types of Deals: Discounted Pay Offs ("DPOs"); New Acquisitions

1. Residential mortgage brokers are typically not allowed by their companies to broker commercial loans. 2. These residential brokers also spend a tremendous amount of money marketing to a wide network of residential

borrowers and occasionally they get some commercial deals (Example: LendingTree).

RESIDENTIAL REALTORS® Types of Deals: New Acquisitions

REASONS WHY: . Realtors® are fantastic for finding smaller, inexpensive ("smaller balance") commercial deals that can be easily financed using

REASONS WHY:

bridge funding such as smaller apartment buildings and mixed-use properties. With that said, most Realtors® don't know how to effectively find capital for these smaller deals.

. Most established and experienced Realtors® have cultivated a list of residential real estate investors who would be very receptive to looking at smaller commercial assets, if only they could understand how to get them financed without having to use a traditional bank.

REAL ESTATE ATTORNEYS / CPAS

Types of Deals: Discounted Pay Offs ("DPOs"); New Acquisitions **REASONS WHY:**

 Most commercial investors are wealthy and use CPAs and attorneys in their regular course of business. 2. When counsel or advice is needed on refinancing loans, most borrowers will call on their attorney first.

In more complicated deal structures that have many investors (such as "Syndications" or "TICs"), CPAs file Schedule K-1s for all of the investors in a group and know which investors

a) can't afford capital calls and want to get out, and **b)** can afford to buy additional assets because they have a strong personal balance sheet. TIPS, TRICKS AND TRAPS

SMALL

COMMUNITY

BANKS

COMMERCIAL

BROKERS AND

"BIG BOY"

INDUSTRY CONFERENCES

COMMERCIAL

PROPERTY MANAGERS

SPECIAL SERVICERS

TITLE COMPANIES

RESIDENTIAL

MORTGAGE BROKERS

RESIDENTIAL REALTORS

REAL ESTATE ATTORNEYS

REAL ESTATE CPAS

INVESTMENT SALES PROS

Bankers have traditionally been tight with money, only offering loans to folks with large deposits kept at their banks; therefore they turn down a lot of loans. These smaller banks also usually service their own loans, so there aren't any hoops you need to jump through finding or dealing with a servicer; you're dealing with the person who is the decision-maker.

TIPS, TRICKS AND TRAPS

Introduce yourself as being an intermediary to a larger discretionary capital provider. Tell the banker that a large part of your business is providing debt and equity financing for borrowers that have received an offer from their bank to buy back their loans at a discount (often called Discounted Pay Offs, or "DPOs"). This will help them because almost all of them have some sort of commercial loan they want to refinance off their books

1. Offer a banker a referral fee.

Ask for the 5 Data Points. Get those from the borrower. Be unprofessional. Get your credibility kit if you haven't done so already. You ONLY get one chance to make a good first impression. Don't be penny wise and pound foolish

A good commercial sales professional will have access to commercial listings from a couple of banks looking to sell their assets. These could be note buybacks (aka "DPOs"), or performing loans, non-performing loans, or REOs. They also will have access to buyers that may have found something interesting to buy, but don't have all of the capital they need to complete the trade. These buyers may need equity or bridge debt.

TIPS, TRICKS AND TRAPS

1. Tell them exactly what you need to qualify a deal. Tell them not to send you an 18MB attachment. Investment Memorandums are not going to help you because you just need the 5 Data Points. 2. Never quote them any terms such as interest rate, points, term, or anything else. A range is fine, but tell them that you don't feel comfortable giving them an exact quote as you don't have enough meat to chew on (and you never will have enough meat to chew on until you hear back from your capital provider regarding the quote, either

verbally or on a Term Sheet).

"BIG BOY" INDUSTRY CONFERENCES

Traditionally a huge deal flow generator. These conferences offer a high barrier to entry as they are expensive to attend. Deal makers attend these conferences in droves and these events are where a lot of deals can get done.

TIPS, TRICKS AND TRAPS 1. Have vour Elevator Speech down pat. No stumbling allowed.

2. Bring your business cards. Make sure your cards don't say "We Buy Homes" or have affiliate links that will make your audience think you're an MLM junkie. 3. Dress like you would for Sunday church (minus the tie).

4. No need to pay the thousands of dollars to attend, just go towards the end of the first day and loiter at the hotel bar. This is by far the most effective way to meet folks. 5. Work the room. Make it a goal to get the business card of everyone you meet. On the back of the card, write down a few words as to what they do and what they need.

COMMERCIAL PROPERTY MANAGERS

Perhaps the most intuitive yet untapped segment to target, Property Managers ("PMs") intimately know the state of affairs of each and every property that they manage their properties for them, and expect PMs to go over and above to manage anything so they don't have to get their hands dirty. (Consequently, Bad Operators are the ones who will foolishly fire a PM when a property is at its highest occupancy, and that's when problems start to spiral out of control.) Therefore, if loan maturity is pending, or if a borrower has gone into "maturity default", the expectation is that the PM will take care of the issue. However, the PM is not paid to find commercial capital, and they lack the expertise required to find it. When these problems arise, they are looking for anyone who can take care of this problem for them so they don't have to hear it from their owner / operators.

TIPS. TRICKS AND TRAPS

1. Use LinkedIn to get to the folks who are members or have an affiliation with these organizations.

National Association of Residential Property Managers: http://www.narpm.org/ National Association of Real Estate Investment Managers: http://www.nareim.org/

2. Google "Real Estate Property Managers" in your home town to drop off some of your propaganda. Meet with these folks face-to-face in their offices.

SPECIAL SERVICERS

Special Servicers are companies that have specialized processes in place to deal with loans that require unusual attention. For example, loans that are currently in or about to go into default. Special Servicers can obtain the loans that have specialized processes in place to deal with loans. These servicers are different than other servicers, because they quite often have complete discretion in how they can rehabilitate a defaulted loan, or sell off the asset for the beneficiaries of that loan (or the owners of the loan).

TIPS, TRICKS AND TRAPS

Servicers almost always hate to make capital calls on their beneficiaries to pay for taxes, insurance, and other carrying costs associated with servicing an asset. In more complex securitized deals, such as CMBS loans, finding these beneficiaries can be very complicated. Therefore, some special servicers will find a bridge lender to make a low LTV loan on one of the properties that the servicer is managing. These are called "Super C Loans".

2. Steer clear from the larger, well known servicers. Only play with those who sound smaller and may not have their own capital, resources or expertise to access outside capital.

TITLE COMPANIES

Title companies see everything legally that happens to a borrower. When the Notice of Default ("NODs") are filed, they usually send out an email to investors who are interested in purchasing these assets at auction or prior to auction.

TIPS, TRICKS AND TRAPS

1. Here is where the Home Team Advantage will probably work to your benefit. If you're an investor already, chances are that you've already dealt with a title company (in the Northeastern U.S., these are usually performed by real estate attorneys). Do a Google Search for about 7-10 title companies in your area to initiate coverage of these firms. Tell them what you do, and how you can help them. Leave them your marketing propaganda, and check in with them every 2 weeks.

Get on their weekly NOD lists. Borrowers who are facing foreclosure are desperate and these are some of the best opportunities to sell a DIP loan.

RESIDENTIAL MORTGAGE BROKERS

Residential Mortgage Brokers are the catcher's mitt for all types of deals and funding requests. Most brokers lack the expertise to do anything other than single family residential loans. However, when they see big deals, its hard for remove the starry-eyed look from them, and these guys and gals are known to be the type to "cut their nose off to spite their face" because of how they manage the deal.

TIPS, TRICKS AND TRAPS

1. Daisy Chains Don't Close. This is a fact of life just like "death and taxes". Brokers tend to "pack" the deal with points and fees, which results in them pricing themselves out of the market. Never get involved.

2. Manage this by telling them to respectfully get out of the way and offer them 20% of your fee. You need to be direct with the borrower and be certain they know this is non-negotiable. They can listen in, but it's your expertise and knowledge that is going to get the deal closed. Period. End of story. 3. If you get them paid on one deal, they will actively hunt for deals for you and you will be the go-to guy for these bigger commercial deals.

4. Websites such as http://www.mortgagegrapevine.com/ are chock full of "resi" mortgage brokers and you can even do a search for "commercial". This is great. Steer clear of the political bantering; remember, your time is precious.

5. Remember; do not sign any fee agreements up front. That is prohibited. Instead, keep them up to date on progress.

RESIDENTIAL REALTORS®

Residential Realtors really only care about one thing at the end of the day: their sales commission. If they can make a referral fee or a sales commission split on a commercial sale, they will be very happy. Realtors®, although they may tell you otherwise, lack the experience and understanding of how commercial real estate finance works. You're ability to structure these deals will make you the

talk of the town. More sophisticated students and intermediaries will probably be able to syndicate equity and debt to help a borrower close the deal or buy the asset for their own portfolio.

TIPS. TRICKS AND TRAPS

1. Offering a Residential Realtor® a 20% referral fee for the name and contact info of a prospective borrower is the norm.

2. Realtors® are a highly regulated group; therefore, make sure you get an email from them stating who to write the check out to and where to send it. Why? Most Realtors® hang their hat at a real estate brokerage firm (Example: Re/Max). The broker may have to be paid that fee directly. Protect yourself. Get it in writing.

REAL ESTATE ATTORNEYS / CPAS

Perhaps the most trusted professionals that owner / operators go to for advice are their attorney and accountant ("CPA"). These folks make up the consigliere that any borrower facing foreclosure, maturity default or just a loan to purchase something will go to.

TIPS, TRICKS AND TRAPS

1. Phone calls and email follow ups are the preferred method for contacting these attorneys.

2. Entice these attorneys by telling them that you understand the markets and that you are a DIP specialist. Attorneys make a lot of money doing bankruptcy restructurings (Example: Google "Lehman Brothers Bankruptcy Legal Costs") and if they can convince a client to file bankruptcy to get larger fees, they will do so. Adding fuel to the fire will be your ability to get their client the DIP financing.

3. CPAs send out quarterly or annual statements, such as Schedule K-1s. As a result, this type of snail mail is welcomed and familiar to the recipients. Cultivate a relationship with those you know intimately and offer to pay their postage in exchange for you to insert a flyer or business card detailing exactly what you do. You will be extended credibility, and anyone who calls you will undoubtedly want to talk to you regarding refinancing or selling their interests.

© The Commercial Investor and Dandrew Partners, LLC. All Rights Reserved.

COPYRIGHT AND TRADEMARK INFORMATION

THIS PRODUCT AND ASSOCIATED MATERIALS (COLLECTIVELY REFERRED TO IN THIS AGREEMENT AS "PRODUCT") IS COPYRIGHTED BY THE COMMERCIAL INVESTOR AND DANDREW PARTNERS, LLC. ALL RIGHTS RESERVED. WARNING: FEDERAL LAW PROVIDES SEVERE CIVIL AND CRIMINAL PENALTIES FOR THE UNAUTHORIZED REPRODUCTION OF COPYRIGHTED MOTION PICTURES. VIDEO TAPES. OR VIDEO DISCS AND OTHER CREATIVE CONTENT. THIS PRODUCT IS PROTECTED BY TITLE 17, UNITED STATES CODE, INCLUDING BUT NOT LIMITED TO, SECTIONS 501, 504, AND 506, "PYRAMID OF PRIORITY", THE NAME OF THIS PRODUCT, THE STYLIZED VERSIONS OF THE COMMERCIAL INVESTOR AND DANDREW PARTNERS, LLC, RESPECTIVELY.

DISCLAIMER AND RELEASE FROM LIABILITY

THE COMMERCIAL INVESTOR AND CONCEPTS CONVEYED THE WATERIAL CONTAINED HEREIN IS TO BE CONSIDERED LEGAL OR PERSONAL OPINIONS ONLY. THE AUTHOR MAKE NO REPRESENTATION OTHERWISE. YOU ARE RESPONSIBLE FOR YOUR OWN BEHAVIOR AND CONCEPTS CONVEYED THROUGHOUT THIS PRODUCT IS PRODUCT IS PRODUCT IS PRODUCT. NONE OF THE MATERIAL CONTAINED HEREIN IS TO BE CONSIDERED LEGAL OR PERSONAL OPINIONS ONLY. THE COMMERCIAL INVESTOR AND CONCEPTS CONVEYED THROUGHOUT THIS PRODUCT IS PR AND INVESTOR AND ANY OF ITS OFFICERS, STAFF, ADVISORS, REPRESENTATIVES, OR DESIGNEES THAT MAY ARISE FROM SUCH USE. THIS WAIVER SPECIFICALLY ALSO INCLUDES BUT IS NOT LIMITED TO ANY CLAIM WHATSOEVER AGAINST AND DANDREW PARTNERS, LLC, AND ANY OF ITS OFFICERS, STAFF, ADVISORS, REPRESENTATIVES, OR DESIGNEES THAT MAY ARISE FROM SUCH USE. THIS WAIVER SPECIFICALLY ALSO INCLUDES BUT IS NOT LIMITED TO ANY CLAIM ARISING FROM A PRODUCT AND DANDREW PARTNERS, LLC, AND ANY OF ITS OFFICERS, STAFF, ADVISORS, REPRESENTATIVES, OR DESIGNEES THAT MAY ARISE FROM SUCH USE. THIS WAIVER SPECIFICALLY ALSO INCLUDES BUT IS NOT LIMITED TO ANY OF ITS OFFICERS, STAFF, ADVISORS, REPRESENTATIVES, OR DESIGNEES THAT MAY ARISE FROM SUCH USE. THIS WAIVER SPECIFICALLY ALSO INCLUDES BUT IS NOT LIMITED TO ANY OF ITS OFFICERS, STAFF, ADVISORS, REPRESENTATIVES, OR DESIGNEES THAT MAY ARISE FROM SUCH USE. THIS WAIVER SPECIFICALLY ALSO INCLUDES BUT IS NOT LIMITED TO ANY OFFICERS, STAFF, ADVISORS, REPRESENTATIVES, OR DESIGNEES THAT MAY ARISE FROM SUCH USE. THIS WAIVER SPECIFICALLY ALSO INCLUDES BUT IS NOT LIMITED TO ANY OFFICERS, STAFF, ADVISORS, REPRESENTATIVES, AND ANY OFFICERS, STAFF, ADVISORS, REPRESENTATIVES, AND ANY OFFICERS, STAFF, ADVISORS, AND ANY OFFICERS, INCLUDING, BUT NOT LIMITED TO, NEGLIGENCE) FOR ANY OF ITS OFFICERS, STAFF, ADVISORS, REPRESENTATIVES, OR DESIGNEES SHALL BE LIABLE IN ANY WAY WHATSOEVER (INCLUDING, BUT NOT LIMITED TO, NEGLIGENCE) FOR ANY DIRECT, SPECIAL OR COMMERCIAL INVESTOR AND DANDREW PARTNERS, LLC, NOR ANY DIRECT, SPECIAL OR COMMERCIAL INVESTOR AND USE OF THIS PRODUCT OR YOUR USE IT EVEN UNDER ANY DIRECT, SPECIAL OR COMMERCIAL INVESTOR AND USE OF THIS PRODUCT OR YOUR USE OF THIS PRODUCT OR YOUR USE IT EVEN UNDER ANY DIRECT, SPECIAL OR COMMERCIAL INVESTOR AND USE OF THIS PRODUCT OR YOUR USE OF THIS PRODUCT OR YOU THE LIMITATIONS OF LIABILITY TO YOU UNDER ANY OF THE ESSENTIAL PURPOSES, VOU AGREE THAT THE COMMERCIAL INVESTOR AND DANDREW PARTNERS, LLC TOTAL LIABILITY DESCRIBED HEREIN. TO THE EXTENT THAT ANY OF THE ABOVE REMEDIES AND/OR LIMITATIONS OF LIABILITY DESCRIBED HEREIN. TO THE EXTENT THAT ANY OF THE ABOVE REMEDIES AND/OR LIMITATIONS OF LIABILITY TO YOU UNDER ANY CIRCUMSTANCES WHATSOEVER, INCLUDING BUT NOT LIABILITY TO YOU UNDER ANY CIRCUMSTANCES WHATSOEVER, INCLUDING BUT NOT LIMITED TO LOSSES, DAMAGES, CAUSES OF ACTION, AND/OR LIMITATIONS OF LIABILITY TO YOU UNDER ANY CIRCUMSTANCES WHATSOEVER, INCLUDING BUT NOT LIMITED TO LOSSES, DAMAGES, CAUSES OF ACTION, AND/OR LIMITATIONS OF LIABILITY TO YOU UNDER ANY CIRCUMSTANCES WHATSOEVER, INCLUDING BUT NOT LIMITED TO LOSSES, DAMAGES, CAUSES OF ACTION, AND/OR LIMITATIONS OF LIABILITY TO YOU UNDER ANY CIRCUMSTANCES WHATSOEVER, INCLUDING BUT NOT LIMITATIONS OF LIABILITY TO YOU AGREE THAT THE COMMERCIAL INVESTOR AND DANDREW PARTNERS, LLC TOTAL LIABILITY TO YOU AGREE THAT THE COMMERCIAL INVESTOR AND ADVISED OF THE ABOVE REMEDIES AND/OR LIMITATIONS OF LIABILITY TO YOU AGREE THAT THE COMMERCIAL INVESTOR AND ADVISED OF THE ABOVE REMEDIES AND/OR LIMITATIONS OF LIABILITY TO YOU AGREE THAT THE COMMERCIAL INVESTOR AND ADVISED OF THE ABOVE REMEDIES AND MANUFACTURER'S SUGGESTED RETAIL PRICE OF THIS PRODUCT AT THE TIME OF PURCHASE.

