

## STRUCTURING YOUR REAL ESTATE BUSINESS

Module 11 - Video 3

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### VIDEO OVERVIEW

#### What's covered:

- Structuring a real estate business without investors
- Structuring a syndication real estate business



#### DISCLAIMER



- I am an attorney, but I am not YOUR attorney.
- You may <u>not</u> rely on anything here as legal advice.
- This is merely a suggestion, based on how I did things myself.
- You <u>must</u> consult your own corporate lawyer to make sure that you establish entities correctly for your situation.



#### PROPER BUSINESS STRUCTURE



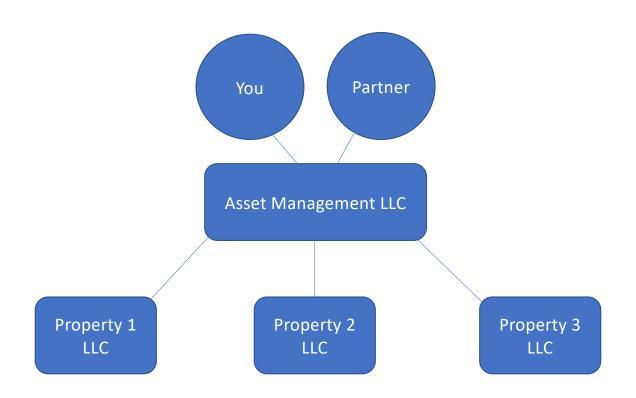
- •What's a proper structure for your multifamily real estate business?
- One that protects your personal assets
- One that keeps the different aspects of your business separate from one another
- One that can adapt as your business grows





- If you are just investing with your own money, or as a partnership without limited partners (passive investors), your potential sources of liability are fewer
- You must protect yourself from claims by tenants, vendors, guests, managers, etc.
- You can use a simple structure, such as what follows:





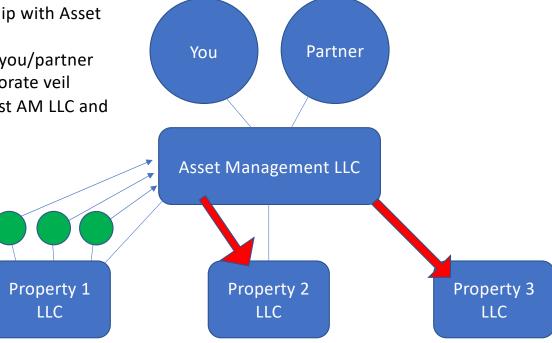




- If you are syndicating deals, and have passive investors, then you need more layers of protection
- Tenants, guests, vendors, managers are only dealing with the property LLCs, so they provide protection
- However, investors are owners in the LLC, so they are dealing with you at a level above the property LLC
- You need at least one additional layer of protection to prevent them from getting at other properties



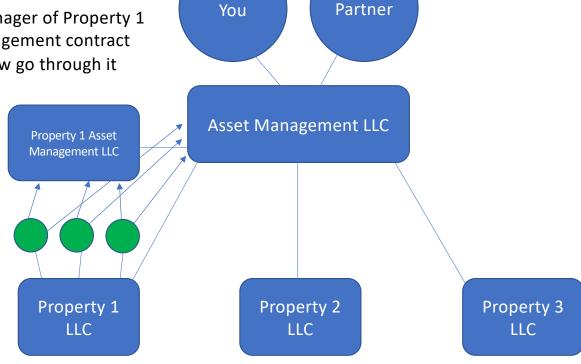
- Investors own Property 1 LLC
- Have direct relationship with Asset Management LLC
- Can't recover against you/partner without piercing corporate veil
- But can recover against AM LLC and anything it owns







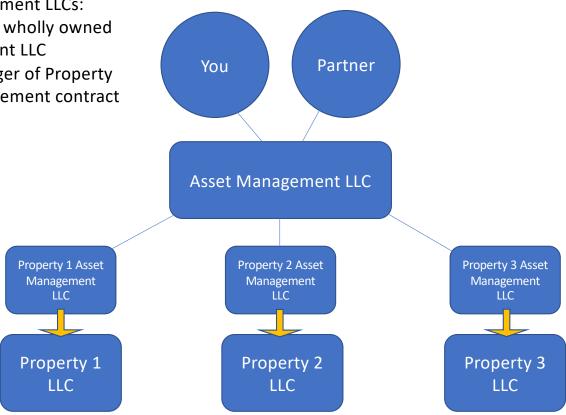
- Single-member LLC wholly owned by Asset Management LLC
- Non-member manager of Property 1 LLC by asset management contract
- Investors must now go through it





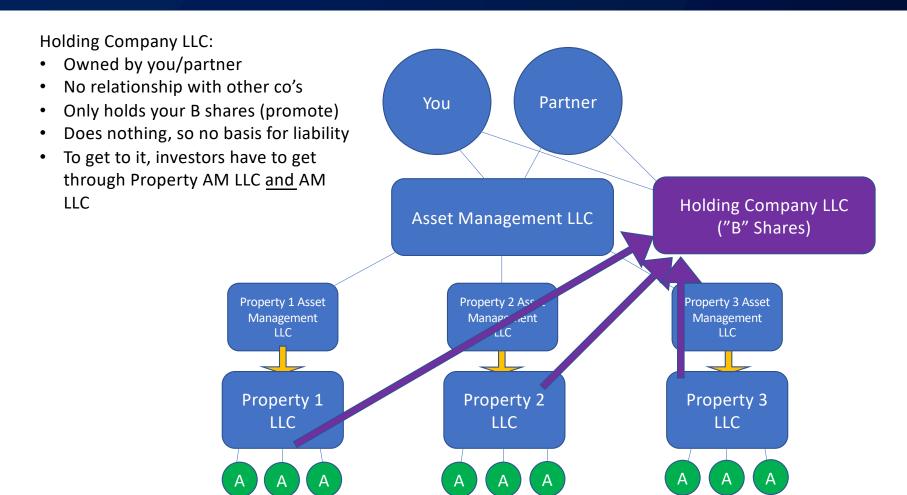
#### Property Asset Management LLCs:

- Single-member LLCs wholly owned by Asset Management LLC
- Non-member manager of Property LLCs by asset management contract







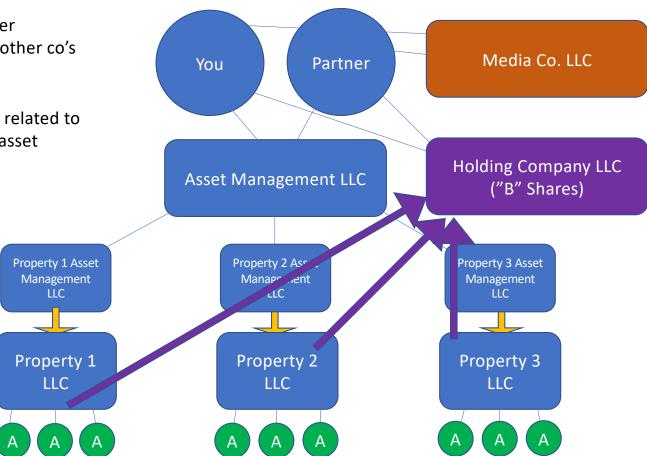






#### Media Co. LLC:

- Owned by you/partner
- No relationship with other co's
- Podcast
- Education
- Anything not directly related to property ownership/asset management



#### PROPER BUSINESS STRUCTURE



- Remember:
- Keep different activities in different entities
- Keep separate books and bank accounts
- Do not commingle money between entities
- Run everything in a businesslike manner, and you will preserve your corporate protection





# Q&A IN THE FACEBOOK GROUP

Next up:

Module 11 - Video 4
Scaling Your Real Estate Business
Part 1 - People

