

## OLD WISDOM AS APPLIED TO PRIVATE PLACEMENT

1. **When skating on thin ice the safety is in the speed.** (Emerson) It means that when someone has the cash and they're ready to invest you should move heaven and earth, work nights and holidays, to ensure that their money gets invested before the "100 reasons" set in – a partial list of the 100 reasons is..."my dog ate my homework, my wife wanted a vacation, my housekeeper called in sick, my bankers had some questions, my attorney had some questions, my brother twisted his ankle, my pen ran out of ink, my car ran out of gas, etc. etc."
2. **Two birds tied together even though they have four wings, cannot fly.** (Zen) It means that most of the time the simplest solution is best and linking more people together even though they have common needs will mostly slow down the process. Don't aggregate investors because one will fall victim to the "100 reasons" and delay the other one and that is a direct violation of #1 above.
3. **You can tune a piano but you can't tuna fish.** (REO Speedwagon) Many explanations in the private placement business sound like all the right words but don't make sense. Clarity and an absence of jargon are essential in working with clients in the private placement arena.
4. **There is a foolish corner in the brain of the wisest man.** (Aristotle) Approaching a PPP like you know something is a mistake. Being humble and grateful for the opportunity is appropriate. Approaching a PPP with expectations is wrong thinking. Brokers will counsel you that you can expect certain things. They do that to solicit you because they know how you think. Platforms and banks do not solicit you and therefore do not offer information before you have been accepted.
5. **Forget what you're up against and state what you stand for.** (RFK) Don't complain. Don't complain and give excuses to your clients. Don't complain and give excuses to your associates. You don't win trust, confidence, and respect by continually airing your complaints and excuses. Take a stand for achieving results and be known for having a positive outlook for every situation. You can rarely influence what a PPP does. They may be fast or slow, friendly or unfriendly, and more. You can only accept what is so and then set the client's perspective accordingly. If you're an investor you cannot influence a PPP by complaining but you can risk being labeled as "uncooperative" and dropped. Accept the fact that a PPP is at best a private club and you must be patient to determine whether what they have to offer is for you or not. When you are offered a contract you can always say, "No" but until that time nobody has offered you anything.
6. **A minute on a red-hot stove seems like an hour. An hour with a pretty girl seems like a minute. That's relativity.** (Einstein) If a CD will pay you 4% per annum and a mutual fund will pay you 12% and a good stockbroker can produce 18% consistently for you, which of those is reality and does any of that define

reality when it comes to the everyday investor? And what if you invest in just the right energy business on the front end and make 800% in a year is that reality? Now if a trader can take a \$100M MTN that has been discounted and is on sale to the trader at 45% of face value and if he can find someone to pay 50%, can he make 5% on the trade by the end of the day? And what if he could do that everyday for 5 days, could the trader then make 25%? And let's say there are many MTNs available like this and the trader manages to trade two each day, could he then make 50% a week? And now let's say the bank likes the trader and allows him to leverage his money so instead of \$100M he now has \$1B to work with. Can he now make 500% a week buying and selling MTNs? Everything is relative to what you know and it is in the best interest of the banks and our world economy that 4% on a CD sound good.

**7. Those who cannot hear the music think the dancers insane.** (George Carlin)

The US Government has written many articles warning investors about investment frauds and scams. Among those are statements about trade programs or high-yield investment programs categorically denying they exist other than as frauds. Some of the most credible bankers and financial advisors have denied the existence of trade or private placement programs. Are trade programs nothing more than an urban legend? Or worse still, a fraud perpetrated on a massive scale for unsuspecting investors? It's hard to disagree with any of this because it's mostly true. Private placement by its very nature follows the rule of secrecy. Therefore it makes an ideal target for fraudsters. Many people who spend time looking for private placement are often those who are unsophisticated investors and those who do not conduct due diligence or make use of advisors or law firms. Sophisticated investors are either too smart to participate in private placement or too smart to talk about it. The truth is, most attempts will end in failure because in sheer numbers, there are 99 frauds for every one of the real thing. But here is a fundamental question..."Can you, on your own, confirm whether banks trade discounted Medium Term Notes (MTNs)?" If they do, then do you believe that an investor might be invited to participate in those trades under certain circumstances? If you can't say "Yes" to both of those questions, then you fundamentally should not be seeking private placement.

**8. You have to kiss a lot of frogs before you find the handsome prince.** (The

Stichery and E.L. James) For anyone determined to find a real private placement trade opportunity, you may be destined to "kiss a lot of frogs." There are many consultants in the secondary financial market who claim to know someone who knows someone but many of these have very few real facts to offer. And it stands to reason that anyone who has benefited from at least one successful trade engagement would have some financial accomplishments to show for it. Therefore, if you find someone who lives in a much bigger house than you do and appears to be an accomplished business leader, you could ask them to kiss frogs for you but you'll still have to go through the same process as everyone else. The difference and perhaps the only difference is that a skillful guide can sometimes help you avoid pitfalls and offers from frauds seeking to capture your money.