



*Award Winning*

## ***Malibu Rotary Club Surfwriter***

**May 12, 2010**

Official Newsletter of the Rotary Club of Malibu

**Malibu Rotary Club President Elect and Acting President Christopher Bauman**

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**Edited by Dr. John W. Elman**

**Pictures by Dr John W. Elman**

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- Malibu Rotary Club Website: [www.MalibuRotary.org](http://www.MalibuRotary.org)

Rotary International Website: [www.Rotary.org](http://www.Rotary.org)

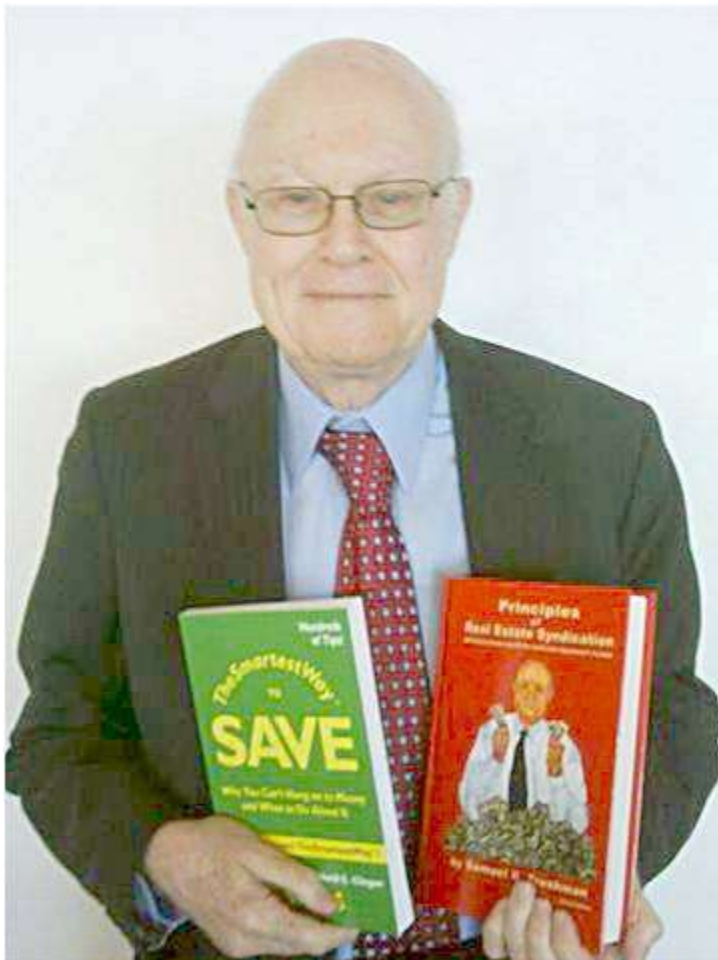
Rotary District 5280 Website: [www.rotary5280la.org](http://www.rotary5280la.org)

Rotary District 5280 “Rotarians Doing Business With Rotarians” Website: <http://vp5280.org/>

[RI President \(2009-2010\) John Kenny](#)

Rotary District 5280 Governor (2009-2010): Susanne Sundberg

**Samuel K Freshman, “The Real Estate Market Today”**



**Sam Freshman** is a long-time former resident of Point Dume, grandfather to two Malibu school students, and the developer of the Malibu Riding and Tennis Club, now the Malibu Nature Preserve.

He is a graduate of Stanford University and Stanford Law School, and besides teaching there, he has given classes in real estate law at the law schools of Pepperdine and UCLA and was Adjunct Professor of Real Estate Law at the University of Southern California Graduate School of Business. He has also lectured to Bar Associations and CPA Societies.

He has become an expert on behavioral attitudes that create success. Attendees at his seminars pay up to \$5,000 to hear him speak and consult with him, which is why those who went to the Malibu Rotary Club meeting on Wednesday morning April 12<sup>th</sup> got such a bargain—his words of wisdom for free.

For those who weren't there we highly recommend the two books he is holding. His book *Principles of Real Estate Syndication* (3<sup>rd</sup> edition, 2006, Beverly Hills Publishing Co.) is considered the landmark work on the subject and carries more than twenty “five-star” reviews on Amazon.com. It is a rather weighty, but concise, work, that explains what's involved in putting together the kind of real estate deals for which the author has become famous. Earlier editions of

this book have sold 50,000 copies and it has been called “The Encyclopedia of Syndication.” Yet the author makes this complex subject easy to understand. The other book *The Smartest Way™ to Save*, which has subtitles of *Why You Can't Hang on to Money and What to do About It* and *Learn to Succeed The Smartest Way™!*, which was co-written by Heidi E. Clingen, is a lighter, easy read soft-cover work, with sage advice that everyone can use. Published December, 2008 by Straightline Publishers, this book has been given over thirty “five-star” reviews on Amazon.com, where it is available for \$16.99.

Mr. Freshman’s firm, Standard Management Co., manages more than \$400 million of real estate assets and business enterprises. He creates real estate financing structuring and solutions. He has owned property in 15 states and 24 cities.

In discussing the economy today from Mr. Freshman’s perspective, he explains that we are in the 5<sup>th</sup> recession he has seen since 1957. He said that in real estate, not all sectors and not all geographical areas react in the same way. He believes that in Southern California we are near the bottom in residential real estate, but not commercial real estate. He believes commercial property will fall further in value. Investors are buying income property from banks and mortgage companies.

Most of the time one expects the value of real estate property to appreciate in value 3 to 5% per year. The Seller wants to get next year’s price and the Buyer wants to get last year’s price. Now, with property values going down, the opposite is true. The buyer is expecting further devaluation, and expects to pay less, and the Seller, wants last year’s price, which is greater than current value. As a result, the bid and asking prices are further apart, and there are fewer sales.

The economic conditions are different in different parts of the country. In Detroit, with auto industry in full swing the population used to be about 2 million people, but now with few jobs, the population is only 900,000, and there are no buyers for property. On the other hand in Washington, DC, because the Obama administration has increased the federal payroll in that city, real estate values in the nation’s capital have increased.

In Southern California certain neighborhoods and areas have been hit harder than others by the real estate collapse. There have been 4,000 foreclosures in La Quinta. Leveraging your money to use a lower down payment to buy property only works on an up market. 80% of the people that have had their foreclosed loans modified are in foreclosure again. The key to the economy is unemployment. Even though the government does not admit it, the unemployment rate is really 17%. “Negative leverage” is when the loan payment exceeds the income from a property—one reason why whenever possible one should buy with cash.

Mr. Freshman applies certain principles to his investments which work no matter what the time is and what the place is. For example, he says when buying income property, you buy for cash flow. Look at the cash flow rather than the cost of the property. A 10% drop in rent revenue will have a greater than 10% affect on net revenue and cash flow because many regular expenses on a property continue when it is not rented—the income is lowered but not certain fixed costs, which leads to lowered net revenue and cash flow. When a Seller shows you the costs of maintaining a property, be wary of “non-recurring costs.” These non-recurring costs, whether they are plumbing or roofs or other seemingly “one time” expenditures, may have to do with an environment conducive to these types of repairs on an ongoing basis. The profit is made when

you buy. Look for the problems in the property—there will always be problems. He said his original check list of possible property problems only had 12 items on the list. Today his list of possible problems has 60 items, including such things as lead paint and asbestos. While many people think that they can do better than the previous owner of a property in controlling the costs of the property, it is a fallacy to have such belief. The seller of a property only likes to show the last year of expenses, but insist on getting the expenses going back three to five years to get a better picture of cash flow.

Buy the worst property in the best neighborhood. You can always fix up a building, but you cannot fix the neighborhood. Always look for a property tax reduction when the value of a property is down. Always screen tenants before they move in—it is easier to do a credit check than evict someone.

Full of common sense and humor, Mr. Freshman's presentation had the audience smiling and its collective heads in agreement with the simple logic of his principles to success. For more about Mr. Freshman see his websites at [www.standardmanagement.com](http://www.standardmanagement.com) and [www.syndicationideas.com](http://www.syndicationideas.com). For information on the *The SmartestWay™ to Save* book see [www.TheSmartestWay.com](http://www.TheSmartestWay.com) or either of the books on [www.Amazon.com](http://www.Amazon.com).

## **Other News and Guests from May 12 Malibu Rotary Club Meeting**

**Geoff Ortiz** presided for the May 12 Malibu Rotary Club meeting. He announced that a couple important Rotary District events are occurring this month, and it is important that at least one of our member attend each of these. This week the Rotary District Conference is being held at La Quinta Resort in Palm Springs and either **Bill Wishard** or **Margo Neal** will be attending. Bill had registered for event but was planning on giving his ticket to Margo, because Bill wanted to go see his new granddaughter in San Diego, and Margo was already in the Palm Springs area. On May 22<sup>nd</sup> Rotary District Assembly is being held at the Carson Community Center, 891 E Carson, Carson, CA, from 7:00 a.m. to 1:00 p.m. **President Elect Chris Bauman** is planning to attend, but all club officers the Rotary Club and Rotaract Club, who can attend should go to this training session.

Our guest speaker **Sam Freshman** brought with him the co-author of his book *The SmartestWay™ to Save*, **Heidi Clingen**, who is a journalist, editor, and writer, including positions at *Apparel News Group* and *The Wall Street Journal*.

At the previous meeting **Kevin Boling**, who is not only all about trash, he is about food, suggested that he, either individually or representing the club, enter the annual Malibu

Kiwanis Chili Cookoff. **Pompeya Monteros**, said she also has great chili recipe and she would like to enter. More about Malibu Rotary participation in the Kiwanis Chili-Cook Off later. It will be held Labor Day weekend. Minimally Malibu Rotary will sell water.

### **Malibu Rotary Club Shelve at the Malibu Library**

**Ann Payne** of the Optimist Club was a guest at the Malibu Rotary meeting on May 12<sup>th</sup> and announced that on Sunday, May 16, there was going to be a special meeting about the renovation of the Malibu Library at the library given by the Malibu City Council from 2:00 p.m. to 4:00 p.m. and recommended that members of service clubs attend. She said the library has not been refurbished since 1978. She said Malibu City Councilwoman Pam Conley Ulich started the ball rolling on this when she visited other branches of the Los Angeles County Library system with her daughter and noticed that they had more to offer than the Malibu branch. She found out that although Malibu tax money was supposed to go into the system the county gave \$5 million less to the Malibu branch than the others, and she decided to do something about it. Among other amenities the new library will have a wall that will create a room in the library that could be used for such things as Rotary meetings. The reason Ann was speaking to the Rotary club at this time was because in addition to the County contributions to the club, private and service club donations were being sought, and contributions of \$1000 made before June 1 would have contributors name placed on permanent shelve named at library. There is an opportunity, through matching funds, to have this \$1000 contribution done with a cost of only \$500.00 The Malibu Rotary Club board consisting of the members present at the Malibu Rotary Club meeting of May 12<sup>th</sup> unanimously voted to make the \$500 contribution to the library.



**Project TRIUMPH**  
*(Today's Revolution Is Understanding; Make Peace Happen) is a*

*grassroots effort to bring Arab and Jewish teenagers together in the spirit of collaboration to build a shared vision for a peaceful future. The program was conceived by Ilan Magdali of the Newbury Park Rotary Club. It brought 10 teenage Arab and 10 teenage Jewish students from Israel to a leadership camp in Simi Valley where they all learned to work together, develop leaders skills before returning to Israel to use what they learned back home. Most of us feel helpless in trying to find a solution to the constant war in the Middle East, but at least this program is trying to do something. Initially sponsorship of this program had been mostly from the Newbury Park Rotary Club and Rotary Clubs in District 5240 and private and corporate donors. Malibu Rotary Club was the first Rotary Club in Rotary District 5280 to support the project.*

*Pictured above are the students who were hosted in 2008 as they visited Malibu on their way to the leadership camp. Today the program no longer is bringing the students to the US. There is a partnership with the Rotary Club of Haifa and one in Italy to get Jewish and Arab students out of Israel to a place where they can learn to work together and apply this when they return to Israel. A new Pilot TRIUMPH project is being developed. It concentrates it's efforts on the students in the City of Acre in Israel as a year long program with Jewish and Arab students working together making a video documentary that strives for lifelong results. The new Pilot TRIUMPH project is a non-profit organization with Leon Berg, as its CEO.*

If you would like to help with Project TRIUMPH you can contact Shoshana Brower at [shobrower@gmail.com](mailto:shobrower@gmail.com) or Leon Berg at [Leon.Berg@gmail.com](mailto:Leon.Berg@gmail.com).



### **Malibu Rotary Club Supports BioSand Filters in Ecuador**

Malibu Rotary Club voted to send \$500 to the Rotary Club of Pontiac Michigan to help build and install BioSand Filters in Santo Domingo De Los Colorados, Ecuador. As was noted by Carol Cousineau, who, along with husband Ron brought the project to our attention, after installing the first BioSand filters in Ecuador (and pictured left), "That money would be matched by the next District Grant, which we have been assured we will get. So, for instance \$500.00 would become \$750.00.

The filters and two 5 gallon safe water containers per unit, cost around \$60.00

each, so a donation of \$500.00 would provide 12 families of five or more with 20 gallons of water each day - enough for drinking, cooking, brushing teeth, bathing and washing clothes! The filters are expected to last at least 50 years without the need to add any expense except chlorine - available and inexpensive. That means each family will have more money to provide more nutritious food for their families, since they don't have to pay for propane to boil their water. It will mean more time to spend with their children, rather than boiling or foraging for firewood. With great improvement in the health of all the family members, fewer cases of diarrhea and stomach flu from bad water and parasites, the parents will better be able to hold down a job and provide for their families, children will be able to attend school more days and have a better future.

We are excited about this project because we anticipate that this is just the beginning. All over Ecuador, there are families struggling to survive, with a high infant mortality rate, because of bad water. This successful project will be a shining example and model. Rotary is the perfect vehicle for getting the word out about BioSand and accomplishing the goal of providing safe drinking water for the world. **BioSand** is one of the four methods of purifying water recommended for Third World Countries by the World Health Organization. (We have researched the others. Since they provide only a small amount of water for drinking, are small and ceramic, so more susceptible to breakage or deterioration, or adding so much chlorine that the people won't drink it, the concrete BioSand is by far the best choice for all but mountainous areas, where a more expensive plastic version of BioSand is an alternative.)”

For a while it looked like the matching grant process was not going to happen. When Malibu Rotarian Bill Wishard visited Ecuador in March, 2010, he was able to meet with Ecuador Past District 4400 Governor, Juan Prinz, to get project back on track.

### **Upcoming Programs (from Margo)**

**May 19.** Club Assembly, the first of these that will occur every 3rd Wed each month

**June 2.** A speaker (name to be confirmed) from Step-up on #2nd (a social service agency in Santa Monica)

**June 9.** Kent Campbell, "Protecting Your Online Reputation"

**June 16.** 3rd Wed of the month, Club Assembly

**Please see Malibu Rotary Club Website [www.maliburotary.org](http://www.maliburotary.org) for latest Calendar and future speakers.**

