



## 2010 NEWSLETTER



### LETTER FROM SAM

Dear Friends,

This has been a difficult year for real estate investment both on the acquisition side and the operations side. Transactions are down substantially and some classes of investment transactions are off as much as 80 to 90 percent. Sophisticated long term investors do not want to sell in today's distressed market and buyers have not been able to find what they are looking for. Cap rates for example on well located California Class B apartments are running 5 to 6%.

We believed prices were too high and therefore did not purchase in the last four years but we are now looking again at the market. Even at 5 ½ to 6% cap rates, with rents down 20 to 30% and NOI's off 50 to 60% or more, the prices are far below replacement cost. The market has moved down relatively quickly and the recovery when it comes may be just as dramatic. Unfortunately no one can tell when the change will take place. Estimates run from two to five years and in some cases as long as seven years.

On the operating side, since a 1% decline in gross rents in the apartment category can often mean a drop of 4 or 5 % in net operating income and the pressure to reduce operating expenses is very high. We are doing everything we can to adapt to market circumstances without cutting into essential services or marketability. As an example, you will read elsewhere in this newsletter that between property insurance and property taxes we reduced expenses over \$430,000 on an annualized basis. To fill the need of our investors for places to invest we are looking for short term loan investments at reasonable interest rates. We have gone more aggressively into the loan market and are making first trust deeds of up to five years at rates between 7 to 10%. Participations in these are available from time to time as the opportunities arise (see article on the backpage of this newsletter).

Sincerely,

Samuel K. Freshman

### NEW RECEIVERSHIP INITIATIVE

At the request of a number of lenders, bankruptcy and creditor attorneys, Standard has commenced a receivership initiative. Sam Freshman, Craig Walsh, Jason Wallace, and Jan Brzeski have all qualified for receivership bonds and error and omission policies and are available to assist in providing receivership services where appropriate. For further information contact any one of them. Rates range from \$150 to \$250 per hour depending on the individual selected. They represent over 120 years of total real estate operating experience and are backed up by staff in all areas including construction, leasing, marketing, property management, insurance, cost reduction, and redevelopment of both stabilized and distressed properties through in-house experts and outside consultants. Standard has experience in turning around shopping centers, apartments, warehouses, parking garages, mobile home parks, office buildings, industrial buildings and almost any type of rental real estate as well as real-estate related operating businesses such as health clubs, and motion picture theatres.

### NEW LEASES

During the third quarter of 2010, Standard Management negotiated and executed leases totaling 120,000 square feet at the Shepherd Mall Office Center located in Oklahoma City, Oklahoma. Standard is the third party management company for this 750,000 square foot office facility.

A 13,000 square foot CVS Pharmacy was completed and opened during the first quarter of 2010 at McHenry Village, a town-and-country themed shopping center located in Modesto, CA. This transaction was a ground lease with CVS building their own facility at no expense to the landlord. The merchants at McHenry Village are pleased to have the additional foot traffic generated by this new addition to the center.

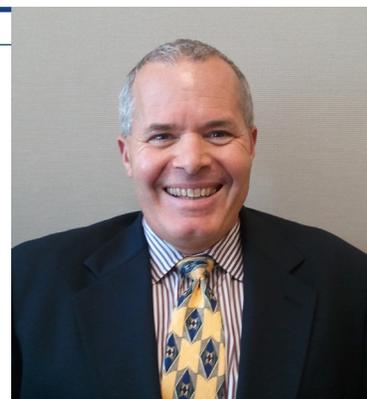
Several smaller leases completed so far in 2010 include a donut shop, sushi restaurant and a telephone store at Rosedale Village in Bakersfield, CA, and a yogurt shop at McHenry Village.

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## INTRODUCING OUR NEW C.O.O. - RANDY BOGGAN

Randy Boggan has joined Standard Management. Randy has an extensive background in strategy development, capital markets, budgeting, forecasting and planning, operations, investor relations, reporting, and cash management.

Randy has previous experience serving of as the Chief Financial Officer of two Southern California based real estate firms. In those instances Randy was instrumental in forming an equity real estate investment company for one firm and completing a tax deferred transfer of partnership interests for the other. Additionally Randy has served as a consultant for Lehman Brothers working on mezzanine debt and equity real estate transactions with responsibility for the budgeting, monitoring and administration of various projects. Additional experience includes work with a family-owned private equity company and a career as a commercial lender.



Randy's educational background includes a Bachelor of Science and Masters of Business Administration Degree from the University of Southern California.

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## NEW LEASES IN CARSON CITY



The State of Nevada has signed a new lease at Northgate Plaza in Carson City, Nevada for 25,000 square feet. The space will be used for the Nevada Department of Health and Human Services and has been occupied since the beginning of the summer.

In addition, the discount movie theatre "Stadium 4" has occupied 16,000 square feet in Northgate Plaza as well. The theater is open and operating above expectations.

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## REDUCTIONS IN PROPERTY TAX BILLS

Standard Management Company has achieved a 31% reduction in its property tax bill for its Las Vegas multifamily portfolio. Through petitioning the Clark County Assessor's Office, Senior Vice President of Operations Craig Walsh was able to achieve a savings of more than \$260,000 annually for Sunset Point (384 units), Galeria Palms (216 units), Cabana Club (338 units), and Bay Breeze (224 units). Reductions were based on submitting revised brokers' opinions of value to the Assessor's office and working with County personnel to determine a reasonable valuation for today's market.

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## BRIDGE LENDING FUND DELIVERS SOLID CASH FLOW

In March 2010, Jan Brzeski launched a program focused on making short-term real estate loans in California. He specializes in lending to rehab specialists who purchase homes from banks or at foreclosure sales. He typically lends no more than 60% of the a property's value and he has personally inspected each of the 19 properties on which he has funded loans to date. The investors who participated in this program received distributions representing more than 9% (annualized rate) in October 2010, based on the performance of the loans through September 30, 2010.

For more information about this program, contact Jan at (310) 410-2300 x322 or at [jbrzeski@standardmanagement.com](mailto:jbrzeski@standardmanagement.com), or visit [www.stndcap.com](http://www.stndcap.com).

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## SMC IS GETTING GREENER!

We started our eco-friendly transition with the payroll system. In June 2009, we placed biometric time clocks at our residential and commercial locations. By placing these hand punches at our locations, our employees will no longer have to keep paper timesheets. This new process will save the company time and money since the timesheets no longer have to be sent to the Corporate office via Federal Express, but are instead transmitted via modem lines. This new process is fast, easy and user-friendly, while saving paper and reducing carbon emissions.

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## SMC REDUCES PROPERTY INSURANCE EXPENSE

Standard Management Company has achieved a 25% reduction in its property insurance expense across its portfolio by bidding out to multiple vendors. "Insurance Companies are hungry for new business these days and are willing to make deals," reports Craig Walsh, Senior Vice President of Operations for Standard. Total expenditures for the SMC portfolio including policies that cover general liability, umbrella, boiler and machinery, and in some cases, terrorism insurance totaled \$520,000 for the 2010-2011 coverage period, down from \$690,000 from the 2009-2010 policy – a savings of \$170,000. Further savings are being explored by combining portfolio management and insurance coverage with other management companies.

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## UCLA EXTENSION CLASS

Jan Brzeski will teach a course entitled, "How to Invest Profitably in Real Estate Loans" at UCLA Extension on February 26, 2011. In this one-day course, you will learn how to invest in real estate loans, providing current cash flow with attractive downside protection. Sam Freshman will be a guest speaker.

To learn more, or receive instructions on how to enroll, please call Jan Brzeski at (310) 410.2300 x322.

## SPIRE - STANFORD PROFESSIONALS IN REAL ESTATE

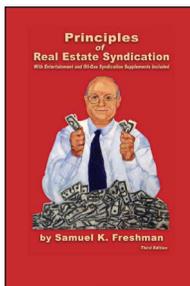
October 12, 2010 - Sam Freshman has been elected the Chairman of the Board of Stanford Professionals in Real Estate (SPIRE). This is a Stanford University alumni group composed of graduates, faculty members, and students in the real estate profession which has grown to over eight hundred members since its founding in 2009. SPIRE sponsors networking meetings throughout the country, has a number of active chapters in the major metropolitan areas, and participates in organizing programs and seminars in conjunction with other university alumni associations and real estate professional organizations. Sam graduated from Stanford University in 1954 with a BA in pre-law and Stanford Law School in 1956 with a JD in law.

Readers who are interested in SPIRE are encouraged to go to their website at [www.spirestanford.org](http://www.spirestanford.org).

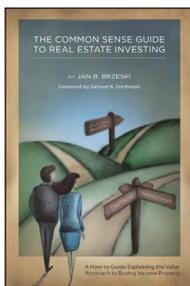
## THIRD PARTY PROPERTY MANAGEMENT

Many of our readers may not know that in addition to the properties which Standard has an interest in, Standard's asset management and property expertise are available for third parties as well. Among the properties handled for third parties by Standard is a 750,000 sq ft multi-tenant office building in Oklahoma City, OK; a distressed shopping center portfolio with vacancy levels ranging from 20% to 50% for a major Wall Street banking firm which was successfully leased up and sold; apartment buildings in California and out of state; and a portfolio of properties in the Pasadena and Alhambra area including an apartment building, an office building and a retail project. Standard has also been asked to assist a California-based syndicator in acquiring and managing a portfolio of several thousand apartment units in the Midwest.

## PUBLICATIONS



**“PRINCIPLES OF REAL ESTATE SYNDICATION”**  
Sam Freshman's book, “Principles of Real Estate Syndication” continues to be the leading book on group investing in Real Estate and has been revised to include information on tenants-in-common (TICs) as well as recent developments in taxation and securities law affecting real estate syndicates.  
Available on Amazon.com



**“THE COMMON SENSE GUIDE TO REAL ESTATE INVESTING”**  
Jan Brzeski has written a book entitled, “The Common Sense Guide to Real Estate Investing.” As Sam Freshman writes in the forward, “Those who wish to know how value investing in real estate works will not be disappointed by this book.”  
Available on Amazon.com

## OPPORTUNITIES AND ISSUES REGARDING INVESTING IN CALIFORNIA FIRST TRUST DEEDS

Jan Brzeski has created two new guides to trust deed investing: a podcast in which he discusses 10 frequently asked questions about trust deed investing, and a 15-page white paper discussing how trust deed investing applies to the 2010-11 California real estate market.  
To receive your free copies, please go to [www.stndcap.com](http://www.stndcap.com)

## SAM FRESHMAN'S SPEAKING ENGAGEMENTS

**November 19, 2009**  
Panel member, UCLA Extension  
Annual Review Real Estate – Skirball Museum

**January 19, 2010**  
Panel member, Real Estate Conference of the UCLA  
Anderson Graduate School of Business  
Dartmouth Alumni and Stanford Alumni panelist

**January 27, 2010**  
Guest Lecturer, UCLA Extension class on  
Real Estate Income Property

**March 16, 2010**  
Panelist and moderator, Capital Dynamic all day Seminar on Real Estate Syndication – Luxe Hotel

**April 6, 2010**  
Instructor, mentoring class on Real Estate Acquisition and Syndication – staff of major real estate company in Orange County

**May 12, 2010**  
Keynote speaker on real estate investments at the Malibu Rotary Club breakfast-  
Pepperdine University

**May 27, 2010**  
Keynote speaker to South Bay UCLA Professional Alumni on the current real estate market.

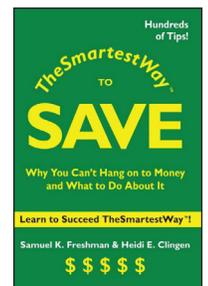
**September 24, 2010**  
Moderator, panelist and workshop leader at Capital Dynamics all day seminar on Real Estate Syndication – Luxe Hotel

**September 25, 2010**  
Keynote luncheon speaker, Real Estate Financial Modeling seminar at the Westin Bonaventure Hotel

**UPCOMING February 2, 2011**  
Panelist, UCLA Anderson School Event

**UPCOMING February 26, 2011**  
Guest Lecturer, UCLA Extension class on how to invest in real estate loans

**“THE SMARTEST WAY TO SAVE: WHY YOU CAN'T HANG ON TO MONEY & WHAT TO DO ABOUT IT”**  
Sam's newest book is the “The Smartest Way to Save: Why You Can't Hang on to Money and What to Do About It”.  
Available on Amazon.com





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## LOAN PLACEMENTS

Standard is currently processing a number of loan placements, including the following:

A \$10,000,000 first mortgage at 8% on a 200,000 square foot class A office development in El Segundo, CA. The property is a sale leaseback being purchased at \$18,000,000. This two year loan is prepayable on 90 days unearned interest in the first year and 60 days unearned interest in the second year.

A \$3,000,000 first note and deed of trust at 9%, interest only, for a period of three years on a single family beach front residence in Malibu. The property is under lease and is non-owner occupied. The property has a conservative value of \$8,000,000. The current owner has owned the property for many years and has her residence elsewhere.

A \$3,150,000 loan on an approximately 100,000 square foot shopping center in Henderson, Nevada. It will be acquired for \$5,000,000 from a bank REO department. The property currently has an occupancy of 45% and produces an income of \$450,000. The loan will be at 12% for 2 years and is with recourse.

A first note Deed of Trust of \$14,000,000 on a 99,000 square foot office building in San Diego, California under long term lease. The property has been owned by the current owner for a number of years and has an NOI of \$21,000,000.

The loan is being placed with a local bank at 6.5% interest on a 25 year amortization due in 7 years. The loan is recourse. One of the problems in placing this loan is the fact that the principal tenant is a semi government agency who receives funding periodically. We were able to convince the lender that the strength of the Borrower and the long term history of the agency operation merited a term loan.

79 single family residences, eight duplexes and four plexes throughout the Los Angeles area. The appraised value is \$22,000,000 and the loan is for \$10,750,000 with 7% interest rate, 30 year amortization, and 10 year maturity.

A 100 unit apartment building for \$11,500,000 in Fullerton, California. This apartment unit has a HUD construction loan, 40 year amortization, and an interest rate of 4.5%. We are also considering a HUD construction loan on 141 units in the Dallas area; \$12,500,000 on a 40 year amortization. Both of these loans are 221DF programs.

Also under consideration is (A) the refinancing of a mobile home park in Lake Tahoe. It is 155 units with beach frontage at \$12,000,000 being placed with Fannie Mae. (B) A 100 unit apartment complex construction loan, and (C) an equity joint venture of 180,000 square foot regional commercial center and an industrial center, both in Camarillo.