

SOURCES OF FUNDS FOR SYNDICATION and ALTERNATIVE FUNDING SOURCES

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Sources of Funds for Syndication

1. Conventional Investor meetings in groups at conferences and hotels. Be careful to limit the presentation to track record and education and do not present individual properties and make clear offerings are only made to accredited investors.
2. Lines of credit to back up purchase of equity and get extended time for due diligence and close as well as meet equity needs at close.
3. Lease Options which also extend your time.
4. 1031 buyers are probably the easiest and largest property investors but remember to form the entity as a tenancy in common and therefore you have restrictions on carried interest. You have to be creative on how to get your compensation.
5. Separate the acquisition purchase price into land and buildings with separate investors for each. Investors who are high taxpayers will appreciate the higher depreciation coverage which can increase their after tax yield in the early years. This may increase your leverage on equity from a conventional 2 to 1 to as much as 3 to 1 or more creating larger IRR's on the leasehold equity.
6. Forming blind pool funds can be a source of investment but they are expensive to form and fund shares are much harder to sell than individual properties. One way to keep the IRR up with regard to funds is to have investors deposit 5% of fund purchase subscription price with the balance callable when individual property purchases come up rather than have cash sitting in the bank at very low interest rates.

Alternative Funding Sources

1. Seller carry-back.
2. Financing provided by mortgage lien or lease options from the seller.
3. Using other people's credit to access lines of credit for secure loans.
4. Heloc's providing credit on personal residences.
5. Development subsidies from various governmental agencies.
6. Tenant advances.
7. Borrowing collateral i.e. a development deal where the owner of the land puts it up as collateral for a loan to the developer receiving back an interest in the property. In many circumstances if the land owner owns the land free and clear we can usually borrow the construction loan which would be sufficient to carry the project particular when the land is a major factor.
8. Advances from special retirement accounts like IRA's, pension funds etc. Sale or collateralization of whole life policies or their substantial equity.
9. Credit card debt (not recommended.)
10. Equity syndication.
11. Loan syndication.
12. EB5