

WINTER 2015-2016 NEWSLETTER

LETTER FROM SAM



Dear Friends,

In 2013 Standard Management selected Reno-Sparks, Nevada as a target investment area. In just over 2 years SMC has acquired three class B apartment communities in the Reno-Sparks area. In 2013 we acquired The Boulders, a 276-unit Apartment Community, 2014 Eastland Hills, a 296-unit Apartment Community and in the beginning of 2015 Spring Villas, a 160-unit Apartment Community. Although, we expected The Boulders and Eastland Hills to perform well they have exceeded our expectations. Ultimately, Spring Villas will do just as well after property renovations have been completed (please see page 2 for New Residential Acquisitions for SMC in 2015). Steven Cohen joined Standard Management as President in December 2014 (his background appears below). Lending continues to be an important part of our activities providing investor yields in the 7 to 10% range. Loans continue to be limited to (a) First Trust Deeds (b) borrower recourse, (c) no more than 65-70% of value at the time of funding. Most rates are tied to LIBOR with a floor so as LIBOR rates rise our loan rates rise as well. The top 20 Real Estate Investment Principles I is on page 3. Your comments would be appreciated.

Best Regards, Samuel K. Freshman

LETTER FROM PRESIDENT

Dear Stakeholders,

I am excited and honored to be the recently appointed President of Standard Management Company (“SMC”). SMC has built a great track of diverse real estate and business investments over the past 50 plus years.

My background has comprised roles (financial analysis and reporting responsibilities) as a Certified Public Accountant, business, and asset manager; as well as a deal driven Real Estate developer, broker, and strategy manager. These skills assisted me to jump into the sale and exchange purchase transactions of Rosedale and Spring Villas respectively, working with the SMC team to complete due diligence, structure the financing and close the deals timely. These deals shed capital-intensive and higher risk retail assets for more conservative and reliable multi-family assets, while also increasing SMC’s operating economies of scale in Reno, NV, a favored market. We will continue to focus on acquiring multi-family assets based on our proven set of investment criteria, with returns driven by a balance between procurable interest and cap rates in the marketplace coupled with creative deal sourcing efforts. Additionally, our Gap and Bridge Lending Platform continues to provide opportunities for higher yields for our stakeholders.

Best Regards, Steven Cohen

Parc West Apartments

Standard Management Company (“Standard”) announces the addition to its portfolio, Parc West Apartments. Parc West is a 248-unit property located in Las Vegas, NV and was built in 1989. It was acquired for \$27.3 million in July 2015.

Standard has implemented value-add improvements including: upgrading select units, addressing deferred maintenance, renovating common areas, remodeling the clubhouse and updating signage to enhance the curb appeal and installing a new playground. These efforts have already increased the value by \$929,182 or 9.73%* return on total equity in first 120 days of Ownership. NOI is projected to increase by \$127,000 during the first year after acquisition. This will result in an equity increase of 25% or \$2,540,000 by July 2016.

Standard has a limited amount of “Class A” investments that are still available to qualified investors. If you are interested please contact Steven Cohen at (310) 410-2300 x 321 or Sam Freshman x304 or Michael Schoellhammer x 322.

- 2/3 of the amount of increase over preferences will be allocated to A investors, subject to terms of LLC agreement.

Newsletter Editor: Olivia Draper (310) 410-2300 Ext: 309

2015 Community of the Year Nominations for SMC

The NVSAA 9th Annual Jewel Awards were held on Saturday, December 12, 2015 in Las Vegas, NV. This is the 1st year that any SMC property has been nominated for this type of an award.

The properties that were nominated for consideration for the “2015 Community of the Year” Award were Cabana Club, Galleria Palms, Bay Breeze and Sunset Pointe Apartments. The properties were judged on their Year over Year financials, operations and resident retention.

At the event, Bay Breeze Apartments was named “2015 Community of the Year” for 1-224 unit property category. We are proud and appreciate the recognition of achievement from our industry partners.



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email odraper@standardmanagement.com.**

SMC 2015 New Residential Acquisitions

PARC WEST APARTMENTS

Please see the first page of newsletter for the Parc West Apartment article.



SPRING VILLA APARTMENTS

With the purchase of Spring Villas, we expanded our footprint in the Reno-Sparks market by 12%, marking our third asset here. We plan to reposition this asset with a renovation and rebranding program designed to highlight the classic design and lifestyle characteristics inherent in this charming townhouse community. This \$19 million property was purchased via two TIC LLCs, with exchange equity from the sale of Rosedale I, and fresh equity from the Freshman Family and other key investment partners. Over 1 million is being spent on upgrades. The renovations are 50% completed and rental increases are being received upon turnover.

Standard Management Company has a limited amount of “Class A” investments that are still available to qualified investors. If you are interested, please contact Steven Cohen at (310)-410-2300 x321 or Sam at x306 or Michael Schoelhammer x 322.

BUDGET BOOT CAMP 2015

In October 2015 SMC held “Budget Boot Camp” at our corporate office in Los Angeles, CA for all the property managers to attend. This was a great opportunity for everyone to get together and prepare budgets for 2016. Everyone left feeling motivated to increase property performance in 2016. We look forward to another successful Budget Boot Camp in 2016. Below is a photo of attendees.



SMC Residential Update

Colonial Estates hosted their 1st Annual Harvest Party to kick off Fall 2015. Activities included crafts, face painting & a hayride for children & adults to enjoy. At SMC, our goal is to provide quality living for all of our residents. We enjoy dedicating October, November and December as resident appreciation months at all our communities. Each property hosts fun parties and events to promote activities, such as canned food drives, toy drives, costume parties and balcony decorating contests. Everyone gets in the spirit and has a great time.

PROPERTY SPOTLIGHT



COMMERCIAL AND LEASING UPDATES

McHenry Village-THE place to Shop & Dine



For well over half of a century, McHenry Village has continued to be premier shopping center in the greater Stanislaus County area. Conveniently located on corner of Briggsmore and McHenry Avenues, the center is also very popular with many events such as the “kick off” event for “Graffiti June” with a huge car show and the very popular “Taste of McHenry Village” held every September to celebrate the McHenry Village anniversary. The leasing priority has always been to make sure all merchants are a “good fit” and that has made McHenry Village more popular than ever. Quality, style and selection, it’s simply a matter of taste!

Lakside Center-Burbank, CA

In 2015 SMC repaved the parking lot at Lakeside Center giving it a fresh new look for the retail shopping center. This project was started on September 18, 2015 and was completed on September 24, 2015. Tenants and patrons are enjoying the newly paved parking lot. Lakeside Center is 94% occupied.

New Leases/Pending Move-in for 2016 McHenry Village-Modesto, CA

McHenry Village captures four new leases with 2016 move-ins & is 91% occupied.

The Dance Bag	5,141 SF
Sola Salon	2,121 SF
Sukha	5,512 SF
Weeks Real Estate	2,008 SF

In January 2015, we released a newly created Asset Management Report to supplement the Financial Statements. Our goal is to provide quarterly and annually tracked operating performance goals and results, along with pictures and other important news about the property and the investment. These will soon be published on our website and available to resend upon request.

Please visit us at www.StandardManagement.com

SUGGESTED READING

1. **How to Do (Just About) Everything Right the First Time** by The Editors of FC&A Publishing
2. **Wealth Opportunities in Commercial Real Estate, Management, Financing, and Marketing of Investment Properties** by Gary Grabel
3. **Thinking In New Boxes. Five essential steps to spark the next big idea** by Luc De Brabandere & Alan Iny
4. **\$2.00 a Day. Living on almost nothing in America** by Kathryn J. Edin & Luke Shaefer

- Innovative Real Estate & Financing Conference-October 6, 2015**
Show me the Money!! Syndication & Creative Financing Conference- November 5, 2015
Pepperdine University Real Estate Class-November 24, 2015
Joe Cobert UCLA Course on Real Estate Finance-December 3, 2015
The Real Estate Crowdfinance & Syndication Summit- Feb. 22-23, 2016 Luxe Hotel, Los Angeles.
SPIRE Global Conference-March 30, 2016 thru April 1, 2016
Chinese Investor Real Estate Conference-May 7 & 8, 2016
SPIRE Banquet @ the California Club-October 2016
SREC Stanford Event-November 4, 2016

SMC HIRES NEW REGIONAL & AREA MANAGER IN THE NEVADA MARKET & A RESIDENTIAL OPERATIONS COORDINATOR IN LOS ANGELES, CA

SMC has hired two new positions in 2015. Arlene Fye is Area Manager overseeing the Reno-Sparks market and Olivia Draper is the Residential Operations Coordinator at the SMC corporate office in Los Angeles, CA.

REAL ESTATE INVESTMENT PRINCIPLES I- MARCH 6, 2015

1. First biggest mistake I made was not buying enough. Second biggest mistake I made was selling too soon.
2. Timing is a major factor in success.
3. Read the fine print, this is where the answers are.
4. Murphy was an optimist. What can go wrong will. Success is identifying problems you can solve and those you can't and knowing the difference.
5. Never fail to do your due diligence, ask, and assess risks.
6. If you have not found anything wrong with a project, you have not looked far enough.
Success in business is determining risks and whether you can do something about them.
7. The Serenity Prayer is a good rule to follow.
8. Do not bet the store. There is always something that can go wrong, diversify.
9. Continually reevaluate your priorities, the one constant is change.
10. If you are going to be a Lender, don't look at a project as an investor; shift the risk to someone else. You should be the last one into the project and the first one out. That is, Borrower puts its total investment in first.
11. On acquisition and construction loans, the Borrower should be putting up the bulk of the acquisition money and the Lender puts in the construction money
12. Borrow long, lend short.
13. Match rates. If borrowing adjustable, lend adjustable with a floor.
14. Never buy anything where you have to sell to justify the investment.
15. Real Estate is just as liquid as the stock market but people are just unwilling to take the same losses.
16. Don't try to change people, people do not change.
17. Don't buy on someone else's projections. Learn that the real numbers are at acquisition and what you can control in terms of the future.
18. Borrow when there is positive leverage. Raise equity when leverage is negative.
19. Location, traffic, and co-tenancy are keys to success.
20. You are in the arithmetic business not the real estate business.
21. Never get involved in any project that is dependent on resale. Every project should satisfy the requirement that you will be able to keep it forever and not have to sell.
22. You can improve the building, you cannot improve the neighborhood.
23. When dealing with residential property the school system rating is critical where families are among your potential tenants. In dealing with shopping centers the first question is how many cars per day go by the property.
24. You often can do much better holding on to property for the long term rather than selling for short term profit unless you have a project that is dependent on resale (see above).
25. Do not go for maximum leverage. Leverage is fantastic when the market is on the way up. It increases your IRR on equity. It's a disaster on the way down when cash flow will not support debt service as you will lose your entire equity if cannot lower debt service.
26. If you have not found anything wrong with a deal you simple have not looked far enough. The key to success is (a) what are the problems are, (b) which problems can be fixed and (c) which cannot.
27. Always check due diligence carefully before going hard.
28. Give a better product than the competition.
29. Sellers often overestimate revenue and underestimate expense. Examine the Seller's books and records and check them against the trailing actual numbers, not pro-formas.
30. Review the actual leases and check the credit of the tenants.
31. Have qualified professionals check all the building physical characteristics.
32. When investing with others check the sponsor's credit record and reputation.
33. You make three to four times the purchase cap rate on investment funds spent in improving something you already own.
34. Buy the worst building in the best neighborhood.
35. Everything generally takes longer and costs more than you project. Be conservative in preparing prospectus. Promise less and deliver more.
36. Be sure you and/or your investors have enough skin in the game to attract appropriate financing.
37. If it looks good after considering all the above be ready with proof of funds, references and move quick before someone else does.



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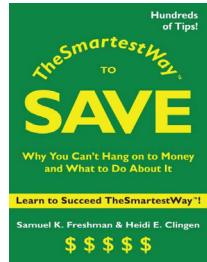
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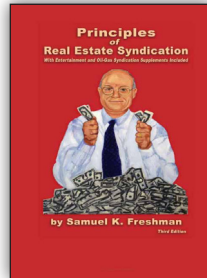
“THE SMARTEST WAY TO SAVE MORE:
MAKING THE MOST OF YOUR MONEY”

“The Smartest Way to Save More: Making the Most of Your Money” is Sam Freshman’s newest book. It is a follow-on to “The Smartest Way to Save: Why You Can’t Hang on to Money and What to Do About It” with many additional ways to save. Sam Freshman is working on a third addition to “The Save Series” and should be out early 2016.



“PRINCIPLES OF REAL ESTATE SYNDICATION”

“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. Purchase on Amazon.com.



SMC LOAN PROGRAM

Standard Management Company provides loans on properties secured by first trust deeds. These loans produce approximately 7% to 9% returns for investors. Loans made and requests being processed include:

1. \$5.5 million to refinance and industrial property in the San Gabriel Valley.
2. \$10.5 million refinance of a tract of for-sale single family homes in the Bay Area.
3. \$11 million bridge loan for a mixed-use real estate project in Philadelphia.
4. \$25 million 65% LTC construction loan for an apartment project in Orlando, Florida.
5. \$2 million for the refinance of a single-tenant industrial property in Alabama.
6. \$2.1 million for refinance of an industrial property in Dallas, Texas.
7. \$11 million loan for acquisition of a multifamily project in Oklahoma City.
8. \$15 million refinance existing debt and fund tenant improvements and leasing commissions on a 200,000 sq. ft. office building in Chicago, Illinois.
9. \$1 million loan on a 10 acre parcel of land in a gated community in Malibu, California.
10. \$3 million purchase loan on a building in downtown Los Angeles.

11. \$1 million loan for conversion of a home to student housing near USC in Los Angeles.
12. \$1.5 million for a single family home renovation and sold in Malibu, California.
13. \$7 million loan for the reposition of a 300,000 sq. ft. shopping center in Ohio.
14. \$5.25 million loan discounted payoff debt on an office tower in Shreveport, Louisiana.
15. \$1.8 million for the refinance of a retail property in Modesto, California.
16. \$5.2 million discounted pay off existing debt on shopping center, Cleveland, Ohio.
17. \$4.8 million for acquisition of a vacant former Sam’s club in the Coachella valley.
18. \$640,000 for acquisition and renovation single family home, Palm Springs, California.
19. \$1.2 million for acquisition and renovation single family house in Montecito, California.
20. \$3.7 million refinance 310,000 sq. ft. industrial property in Jacksonville, Florida.

Standard loans are \$1 million to \$50 million; up to 65% LTC; 7.5% to 9.99%; 1 to 5 year term; recourse. If you need a loan or want to invest give us a call! (310) 410-2300 ext. 322

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