

FIRST QUARTER 2011 NEWSLETTER

LETTER FROM SAM



Dear Friends,

For 45 years there was positive leverage. I recall in 60's and 70's buying A and B+ apartment communities at 9-10% capitalization rates and being able to borrow at much lower interest rates which created high cash on cash returns. As I indicated in last year's newsletter, apartment capitalization rates are now 5-6% on the west coast. With today's interest rate constants of 6.5-7% we are placed on a break even or negative basis; that is, a property with a conventional loan of 60-70% will, at best, show a cash flow on equity roughly equivalent to the overall capitalization rate on the property. We can no longer rely on simple arithmetic to create above average returns.

The market is being held up today by the low interest rate returns on money markets, bonds and alternative instruments. If one wants to avoid stock market speculation, the only other opportunities are real estate or bonds and with regard to good credit bonds one must go out to 12 to 15 year maturities to get to the vicinity of a 5% tax free return.

There are still few good acquisition opportunities. Most long term owners do not want to sell in this market because even though capitalization rates are low, prices also are low in terms of replacement. This is due to the fact that rental rates or income in most markets are off anywhere from 20- 30%. The opportunity continues to be in making high quality loans and this will continue to be our focus for the near term. As you will note elsewhere in this newsletter, retail leasing has picked up substantially and we are pleased to report a considerable number of new leases and renewals. We are having excellent leasing success in tough markets.

Sincerely,

Samuel K. Freshman

REAL ESTATE SYNDICATION SUMMIT: MAY 21ST

Sam Freshman will be speaking on May 21st at the Dynamics Capital Group Real Estate Syndication Summit. The event will be from 7:45 am-12:30 pm with networking to follow until 2:00 pm. There are a series of four panels. Mr. Freshman will be the moderator for the panel entitled "How to Get Your Loan Funded: Who is Lending in Today's Market". He will also be a speaker on the panel entitled "How and Where to Raise the Money for Your Partnerships". For more information please see the flyer on the back of this newsletter or contact Cindy Anderson at (310) 410-2300 ext. 306.

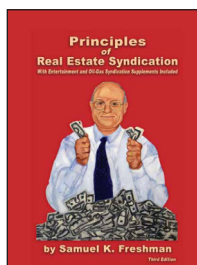
UCLA & LA BAR MENTORING SESSIONS

Standard will be hosting two mentoring sessions during the month of April. The first session will be on April 14th from 11-1 p.m., with the current students of UCLA's real estate program. Sam Freshman will speak for an hour about real estate and the students will then have the opportunity to ask questions over lunch. A second mentoring session will be on April 21st from 11-1 p.m. with recent admittees of the LA Bar Association. Sam Freshman will be discussing career development and real estate law. Slots for the sessions will be available to readers of this newsletter. Please contact Cindy Andersen at (310) 410 2300 ext. 306.

PUBLICATIONS AVAILABLE ON AMAZON.COM

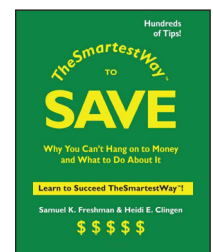
"PRINCIPLES OF REAL ESTATE SYNDICATION"

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.



"THE SMARTEST WAY TO SAVE: WHY YOU CAN'T HANG ON TO MONEY & WHAT TO DO ABOUT IT"

Sam Freshman's newest book, "The Smartest Way to Save: Why You Can't Hang on to Money and What to Do About It" is a must-read for all those consumers wanting to improve their lives through easy-to-follow money management principles.



NEW LEASES AT MCHENRY VILLAGE, ROSEDALE VILLAGE, SHEPHARD MALL & LAKESIDE SHOPPING CENTER



McHenry Village Shopping Center - Modesto, CA

During the first quarter of 2011, Standard Management negotiated and executed new leases and lease renewals totaling more than 70,000 square feet.

Sunflower Farmers Market has signed a lease at McHenry Village in Modesto, CA. This grocery and health food store will occupy a 28,628 square foot space at the front of the shopping center. In addition, there are five new leases signed recently totaling 18,883 square feet. Phillips Lighting will be relocating to a 9,000 square foot space and Village Home & Design Center has renewed their lease. We have also secured renewals for Fun Sports Bike and Farmer's Daughter.



Rosedale Village Shopping Center - Bakersfield, CA

At Lakeside Shopping Center in Burbank, CA a new Postal Annex is occupying 920 square feet and Dana Drugs renewed their lease for 6,668 square feet.

In Bakersfield, Rosedale Village has also secured a number of new leases and renewals. T-World is now occupying 3,375 square feet and Ninja Sushi & Dining has moved into a 2,200 square foot space. Ryan Chiropractic has renewed their lease and Little Caesars Pizza is in the process of renewing their lease.

A 133,000 square foot space has been filled by the Oklahoma Healthcare Authority at Shephard Mall in Oklahoma City. Standard has also secured a lease renewal with Astec Charter School for 48,000 square feet.

LOAN PROPOSALS & PLACEMENTS

Loan Proposals

In February, Standard funded a \$500,000 bridge loan investment that was sourced and structured by Standard Capital. The loan is secured by a 38,000 square foot strip shopping center in Ohio. The borrower purchased this property for \$1,230,000. The loan amount was 41% of the borrower's purchase price. The property required a quick all-cash closing. We went outside of our usual lending territory in this case due to the very attractive loan-to-cost structure of this loan.

Standard has provided an application for a commitment to assist in the recapitalization of an outlet shopping center of approximately 350,000 sf. As of January 2011, the center was 98% occupied. The proposal is for a commitment to support one partner's initiation of the buy/sell provision in the operating agreement. In the event the initiating partner's bid is accepted, Standard will provide participating debt, to fund the partnership buyout. In the event the initiating partner is bought out, Standard will receive a fee for its commitment.

Standard has made a proposal to provide a bridge loan to the builder of a spec home in the Beverly Hills Post Office area of Los Angeles. The builder purchased the land for \$617,000 and has invested \$900,000 to date to build the home. He is seeking a \$900,000 loan to repay a construction loan and complete exterior work on the home, which will be listed for sale as soon as work is finished. Standard is pricing this loan at an 8% interest rate with a 3 points origination



Midway Square Shopping Center - Elyria, OH

LOAN PROPOSALS & PLACEMENTS CONTINUED...

fee. The maturity is 12 months with one 12-month extension option for an additional fee of 3 points.

Loan Placements

In the first quarter of 2011, a rental portfolio of 79 single family homes, eight duplexes and four small apartments buildings from throughout the Los Angeles area was placed with a local bank. The loan is for 50% loan-to-value, with a rate of 7.5%. The loan will amortize over 25 years and will mature in 10 years.

Standard is seeking a 60% LTV loan on an office building in San Diego. The building is 100% occupied and listed for sale with an expected sale price of \$28 million.

CONSULTING ASSIGNMENT

Standard has been approached by an international owner to handle the leasing, marketing and property management of three LA area office buildings totaling 450,000 square feet.

Standard will cooperate with all leasing brokerage companies to make certain the properties receive full exposure. Integrating leasing with the property and asset management services will provide ownership with the long term view from an operating standpoint while incorporating the current needs and short term view held by many tenant representatives.

BRZESKI SPEAKING ENGAGEMENTS

Jan Brzeski of Standard Capital will be speaking on April 21 from 5-7 p.m. to the CFA Society of Los Angeles on the subject of real estate as an alternative investment asset class. This is part of CFA LA's Alternative Investment Series which also includes speakers from Wilshire Associates, Wells Fargo, Artemis Capital Management and AQR Capital Management.

Jan's course entitled, "How to Invest Profitably in Real Estate Loans" at UCLA Extension was on February 26th. Student evaluations placed him among UCLA Extension's top-ranked instructors.

For short audio clips from his course, or to learn more about the upcoming CFA Society series, please check out www.stndcap.com/blog.

JOINT VENTURE OPPORTUNITY

Standard is currently advising on the formation of a joint venture on an outlet center in Corpus Christi TX. The outlet center will have major brands such as Polo, Banana Republic, Calvin Klein and Tommy Hilfiger. This ground-up development will cost \$69.5 million and will be with a major institution which has previously done several joint ventures with Standard. Standard is representing both the institution and the developer.

Standard is also negotiating a joint venture agreement with the owner of a 295 unit apartment portfolio consisting of 14 separate buildings in the LA area. Standard will inject new capital structured as debt with a minimum prescribed return, and would also participate in any increase in the cash flow of the portfolio over time. The operator would continue to oversee the properties day-to-day while Standard would handle accounting. The operator would use the cash from Standard to purchase more properties that might be added into the venture over time.

BRIDGE LENDING FUND CONTINUES SOLID CASH FLOW

As indicated in our last newsletter, in March 2010, a fund focused on making short-term real estate loans in California was launched. The Fund lends no more than 65% of property value. Investors who participate in this program received distributions representing

SAM FRESHMAN'S SPEAKING ENGAGEMENTS - 2011

If your organization is intersted in having a speaker from Standard Management Company on syndication, real estate investing, real estate financing, real estate career development, or insurance and real estate planning please contact Cindy Anderson at (310) 410-2300 ext. 306.

February 2, 2011: Panelist, UCLA Anderson School Event

February 24, 2011: Panelist, Distressed Real Estate Summit

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

UPCOMING

April 14, 2011: Guest Speaker,
UCLA Real Estate Mentoring Class

UPCOMING

April 21, 2011: Guest Speaker, LA County Bar

UPCOMING

May 21, 2011: Panelist,
Real Estate Syndication Summit - Luxe Hotel

UNITED FOOTBALL LEAGUE LEASES

The United Football League (UFL), Las Vegas team has chosen Standard's Cabana Club and Sunset Pointe for its apartment needs.

The UFL is comprised of five teams, and their practice starts in June with final cuts in July. At this time, the team will rent 24 apartments for the players and an additional 6 apartments for their coaching staff.

The UFL was formed three years ago, and the Las Vegas team is the two time champion. Players use the UFL as a stepping stone to gain access to the NFL and a professional career. The facility they lease for practice is located about one mile from Cabana.

more than 9% (annualized rate) in Q4 2010, based on the performance of loans through December 31, 2010. For more information about this program, contact Jan at (310) 410-2300 x322 or at jbrzeski@standardmanagement.com, or visit www.stndcap.com.

CAL GO YIELD AND TAXABLE EQUIVALENT TABLE

Compare bond rates with the return on real estate loans or investments assuming 3% appreciation/inflation and a 6% capitalization rate. Real estate internal return rates should average much higher than bonds. Keep in mind risk. Loan rates after tax are 8% or more on 1st mortgages and compare favorably to bonds.

Maximum Total State and Federal Income Tax Rate (Assumed)

44%

Maturity (Years)	Cal GO Tax Free Yield	Equivalent Taxable Yield
1	0.80%	1.43%
2	1.15%	2.05%
3	1.55%	2.77%
4	1.85%	3.30%
5	2.60%	4.64%
6	3.30%	5.89%



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Commercial Real Estate

In 2010, the great recession ended with a bang. Fasten your seat belts for 2011 and beyond.


May 21st, 2011 7:45 am- 2:00 pm at the Luxe Hotel - Brentwood, LA

Exclusive networking opportunities with the speakers and each other.

4 hours of CE credits for CPAs

Billionaire super-investor Warren Buffett says, "I like to shoot fish in a barrel. But I like to do it after the water has run out."

The current economic environment has frightened away many timid, short-term focused investors leaving exciting opportunities for those who have the vision and fortitude to look beyond today's headlines. Improvement in all four critical categories of commercial properties: value, rent, occupancies and net operating income have risen for the first time since 2007.

 **Dynamics Capital Group sponsors real estate partnerships that let you invest with like-minded investors and reap the benefits of pooled resources. Our partnerships are based on smart and sound real estate economics that produce substantial cash flow, equity, and/or gross potential.**



Karim Jaude



Hap Pattiz



Mark Levinson



Sam Freshman



Eric Garfield



Marc Benezra



Dan Harkey



Luke McCarthy



Jim Howell



Richard Zelle

Register Today!

\$189 until May 10th

\$219 until May 19th

\$249 after May 19th

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