

WINTER 2011/2012 NEWSLETTER

LETTER FROM SAM



Dear Friends,

A weak economy embattled by financial crisis in Europe has created a great deal of uncertainty for investors as evidenced by the market volatility in 2011. Over the course of my career in real estate I have experienced a number of periods like this one, and I would like to share with you a little of what I have learned about investing in uncertain times.

Best Regards,
Samuel K. Freshman

How To Invest In Uncertain Times

1. If interest rates are low look for leverage opportunities and borrow long.
2. If interest rates are high buy for cash, lend long at fixed rates, and buy long bonds at fixed rates.
3. Be conservative - do not speculate.
4. Avoid projects that depend on reselling or a change in interest rates to justify investment. Focus on cash flow projects.
5. If cap rates are low assume they will be higher on liquidation.
6. If cap rates are high do not assume they will be lower on liquidation, but it does signal a buying opportunity.
7. Uncertain times are often good opportunities for contrarian investors.
8. Syndicators will see opportunities when cost of equity is low. Preferences are at historical lows and the availability of capital for QUALIFIED borrowers is at an all time high.
9. Lenders are anxious to loan to QUALIFIED borrowers who have a track record, strong financials and skin in the game. All others need to consider hard money lenders. There is plenty of money available and a shortage of good borrowers and projects that make sense on a current basis.
10. Do not think this time will be different.
11. Leverage is great on the way up and disaster on the way down. Avoid excess leverage at all times.
12. Natural resources and sound real estate are good hedges when the government is printing money.
13. Take advantage of tax advantages in your estate planning and income tax strategies. With the need for the federal government to pay off debt, they may not last. Even the Republicans are beginning to recognize it will take more than cutting entitlements to straighten out the economy.
14. Be realistic about how long it will take to get loans, for projects to get into positive cash flow, to raise equity, etc. Stress test your assumptions on a conservative basis.
15. Have a backup plan. Assume things will go wrong, and be able to ride it out.
16. Keep your due diligence check lists handy and use them.

STANDARD MANAGEMENT CELEBRATES 50 YEARS IN BUSINESS

On December 9th, friends and colleagues came together to celebrate Standard Management Company's 50 years in business. Since its founding in November of 1961 Standard Management has grown into a nationwide enterprise supervising real estate with a market value in excess of \$300 million.

The highlight of the party was a toast/roast to honor Sam Freshman and his achievement of building a company still in business after 50 years. Brenda Freshman, Sam's daughter, served as the MC inviting speakers to tell their stories.

In his comments Jan Brzeski, former Vice President of Acquisitions at Standard Management, highlighted what he felt distinguished Sam most. "Sam is known as being a smart and successful investor but it's his business ethics that make him stand apart."

For many Sam was and still is a valuable mentor. One of Sam's

oldest partners, Pat Nesbitt remarked how Sam was his first mentor and how he still seeks his advice. "I've learned a lot from Sam. He was always giving me tidbits full of information...Even today I turn to Sam when I have a problem. He always comes up with new ideas and helps me work through problems."

Creating a business that lasts 50 years is a testament to Sam Freshman's industriousness, intelligence, and savvy, but it is his generosity and genuine nature that was most noted by his friends and colleagues. The speakers included Jan Brzeski, Pat Nesbitt, Paul Pensig, Jed Roth, Marc Schwartz, Brian Shirken, Ron Stackler, and Dick Zelle. Others who have sent in remembrances of Sam for the anniversary book so far are David Bailey, Dr. James Taylor, MD, Scott Wallace, Bill Bernfeld, Irene Tritel and Wynn Lawrence. If you would also like to share a story for the book please send your contribution to Sam Freshman (sfreshman@standardmanagement.com) and Cindy Anderson (canderson@standardmanagement.com).



RECENT LOAN FUNDED IN DENVER, CO



Kennedy Center Loan, Denver, CO

Standard Management Company made a multi-million dollar loan on the Kennedy Center, a 174,000 square foot commercial office, located in the Southeast corner of Denver, near the Denver Tech Center. It includes four office buildings, with landscaped grounds and walking paths. The borrowers purchased the property from a lender and will improve it in order to increase its occupancy rate from 32% to the average rate for the Denver metropolitan area of 78%. The borrowers are well capitalized and have a great deal of experience improving and leasing large scale properties. After rehab the loan-to-cost ratio will be less than 50%.

REFINANCING OF SUNSET POINTE APARTMENTS

Standard Management refinanced the loans on its Galleria Palms and Sunset Pointe Apartments in Las Vegas Nevada. The new loans, maturing in 2022, are set at fixed interest rates of 4.09% and 4.37% respectively. The previous rates on both loans were close to 7%. Refinancing lowered loan payments on the two projects by over \$700,000. Occupancy at the properties remains above 90%, much better than the average occupancy rate in Las Vegas.

SIXTH ANNUAL REAL ESTATE ROUND TABLE

On Wednesday, February 8th, the UCLA Anderson School will be hosting the Sixth Annual Real Estate Investment Round Table Discussion. Jan Brzeski coordinates this event, and has entitled it "Dog Days: How will the Great Real Estate Workout Unfold?" Sam Freshman will once again be part of the panel. If you are interested in attending, please reference the insert included in this newsletter or contact Jan Brzeski (jbrzeski@standardmanagement.com).

RECENT LOAN FUNDED IN WEST HOLLYWOOD



Single Family Residential Loan, West Hollywood, CA

Standard Management Company made a \$900,000 construction loan that will be drawn down in phases on a 2,455 sq. ft. single family residential property with a total project cost of \$1,925,000. The borrower plans to create a state of the art modern architectural style home on the existing footprint in an upscale west Sunset Strip neighborhood. The loan, secured by a first trust deed on the subject property, carries an interest rate of 8.5% and had a 2% origination fee. The term of the loan is nine months, and includes two three-month options to extend.

SAM FRESHMAN'S SPEAKING ENGAGEMENTS

If your organization is interested 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.

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February 8, 2012: Panelist,
UCLA Roundtable,
UCLA Anderson School

To register for the event, please go to:
www.arixacapital.com/conference

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February 14, 2012: 11:30 am - 1:15 pm
Opus Connect Group
Century City

UCLA EXTENSION COURSE

Jan Brzeski will teach a course entitled "How to Invest Profitably in Real Estate Loans" at UCLA Extension on Saturday, January 28th, 2012. This one-day course teaches how to invest in real estate loans, providing current cash flow with low risk. To learn more about this course and find out how to register, call Jan Brzeski at (310) 410.2300 ext. 322.

NEW LEASES AT NORRIS ROAD

Standard Management leased a 91,000 square foot industrial space at 5600 Norris Rd. in Bakersfield to Jess Smith and Sons. Jess Smith and Sons is a substantial cotton and almond grower and marketer and has been in business since 1943. The space will be used for almond processing. Standard upgraded the electrical, lighting, water and sewer capacity of the property to accommodate Jess Smith and Sons. Additionally the tenant will be making several hundreds of thousands of dollars in improvements to the processing facility.

Standard has also leased 89,000 square feet to American Tire Distributors, which has been distributing products to tire dealers, service repair shops, and automotive performance shops since 1935. The warehouse will be used for wholesale storage and distribution of tires and related products.

These new tenants will provide a great boost to the Norris Rd. property, which also contains office space and land abutting Highway 99.



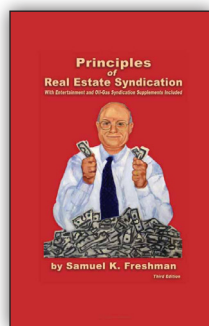
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PUBLICATIONS AVAILABLE ON AMAZON.COM

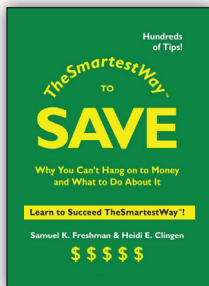
“PRINCIPLES OF REAL ESTATE SYNDICATION”

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. Principles of Real Estate Syndication is available for purchase on Amazon.com.



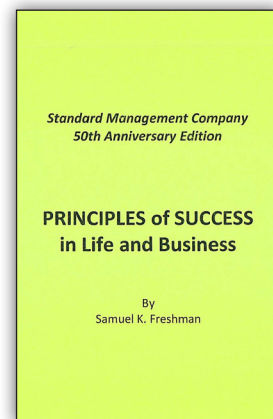
“THE SMARTEST WAY TO SAVE: WHY YOU CAN'T HANG ON TO MONEY & WHAT TO DO ABOUT IT”

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. This book is available for purchase on Amazon.com



SAM'S NEWEST PUBLICATION

On the occasion of Standard Management's 50th year in business, founder and President Sam Freshman took the opportunity to compile a booklet of the wisdom he has garnered over the years. In this 50th Anniversary Edition of PRINCIPLES of SUCCESS in Life and Business, Sam summarizes his hard earned knowledge about



achieving success both professionally and personally, with sections including: Professional and Personal Success Principles, “Deal Junky” Case Studies, Networking Tips, and, of course, Why an Adult Should Eat at the Children's Table During Holiday Dinners. Complimentary copies are available upon request. Please contact Cindy Anderson at Standard Management if you would like one: Phone (310-410-2300, ext. 306); Email (canderson@standardmanagement.com).