

# Real Estate Syndication Overview

2018 Presentation



LINCOLN

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# WHAT WE'LL COVER TODAY

- LINCOLN
- Real Estate Syndication Overview
- Syndication Phases
  1. Formation
  2. Fundraising
  3. Prospecting
  4. Acquisition
  5. Operations
  6. Reposition
  7. Exit
- Resources
- Questions

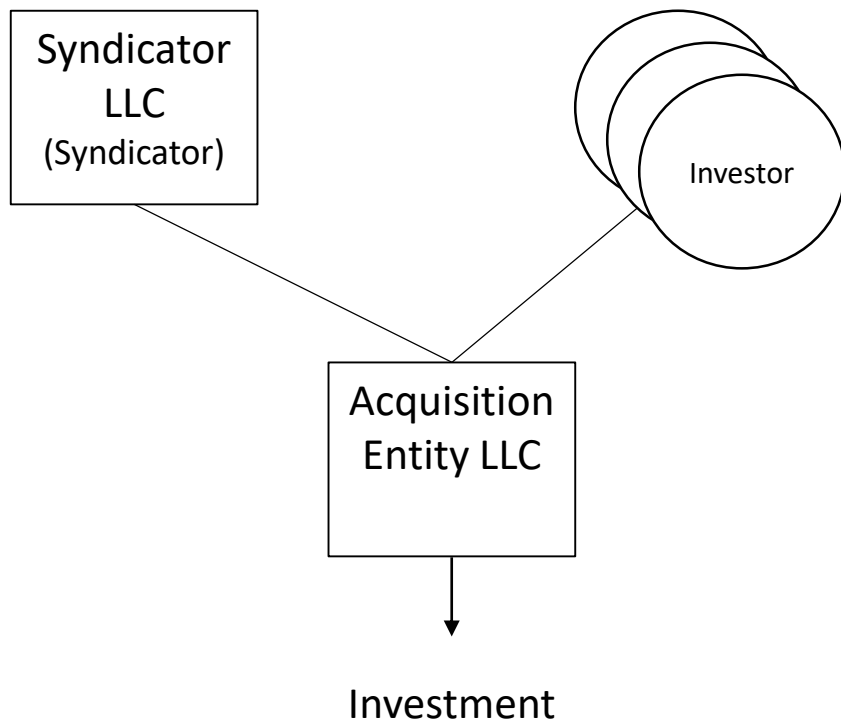
# LINCOLN

- Who we are
  - Transaction Attorneys
  - Business, M&A, Commercial Real Estate, and Tax Attorneys
  
- Erik Lincoln
  - Attorney & CPA

# Real Estate Syndication Overview

- Creative Financing
  - Subject to / Assume
  - Seller Financing
  - Ground Lease
  - Syndication

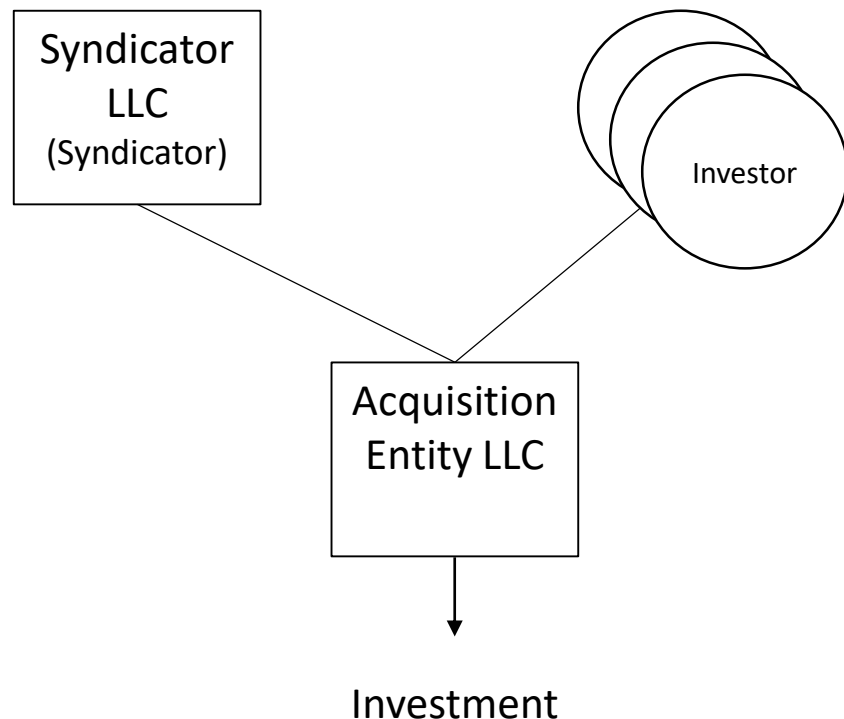
# Real Estate Syndication Overview



## Syndication Defined

Syndication allows multiple investors to pool their resources and share risks when purchasing an investment.

# Real Estate Syndication Overview



## What resources / risks for each?

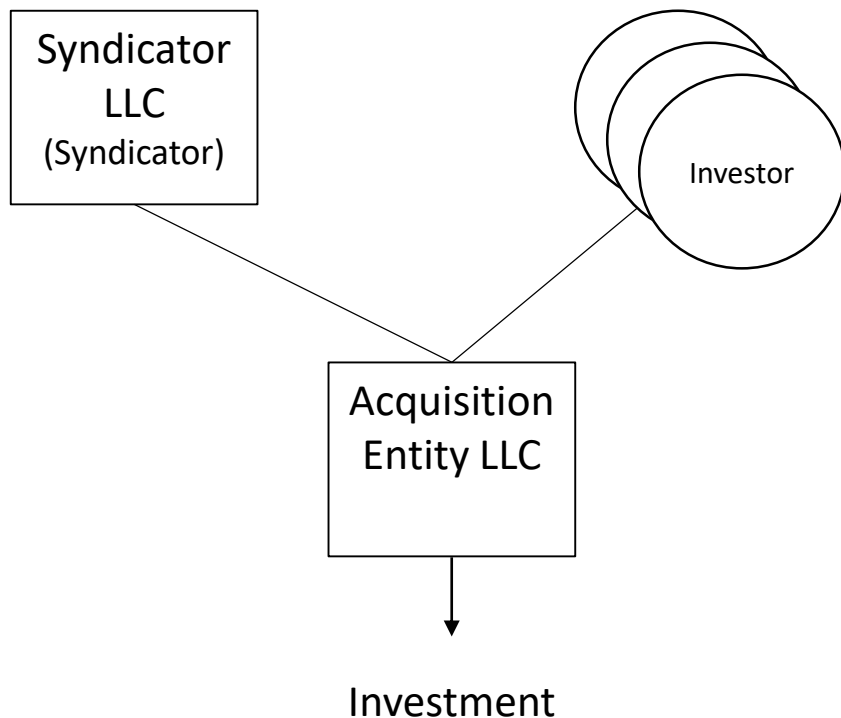
### Investors

- Money, equal to 25% of purchase price

### Syndicator LLC

- Services:
  - ✓ Put Group Together
  - ✓ Find Investment
  - ✓ Enter into PSA
  - ✓ Assign PSA
  - ✓ Raise Money
  - ✓ Acquire Investment
  - ✓ Manage Investment

# Real Estate Syndication Overview



## What does each party receive?

### Investors

- Share of regular distributions (e.g., 95%)
- Share of capital event distributions (80%)

### Syndicator LLC

- Share of regular distributions (e.g., 5%)
- Promote - share of profits (i.e., 20%)
- Other fees (Management fee, purchase fee, sale fee, etc...)



# Real Estate Syndication Overview

## What does each party receive? - EXAMPLE

	<u>Bank</u>	<u>Investors</u>	<u>Syndicator LLC</u>	<u>Total</u>
<b>Investment</b>	<u>750,000</u>	<u>250,000</u>	<u>0</u>	<u>1,000,000</u>
<b>Year 1 NOI = \$60,000</b>	37,500	21,375	1,125	60,000
	5.00%	8.55%		
<b>Year 2 Sale*</b>	<u>750,000</u>	<u>360,000</u>	<u>90,000</u>	<u>1,200,000</u>
<b>Total Return</b>	787,500	381,375	91,125	1,260,000

\*NOI increase of 20% results in 20% increase in value of property

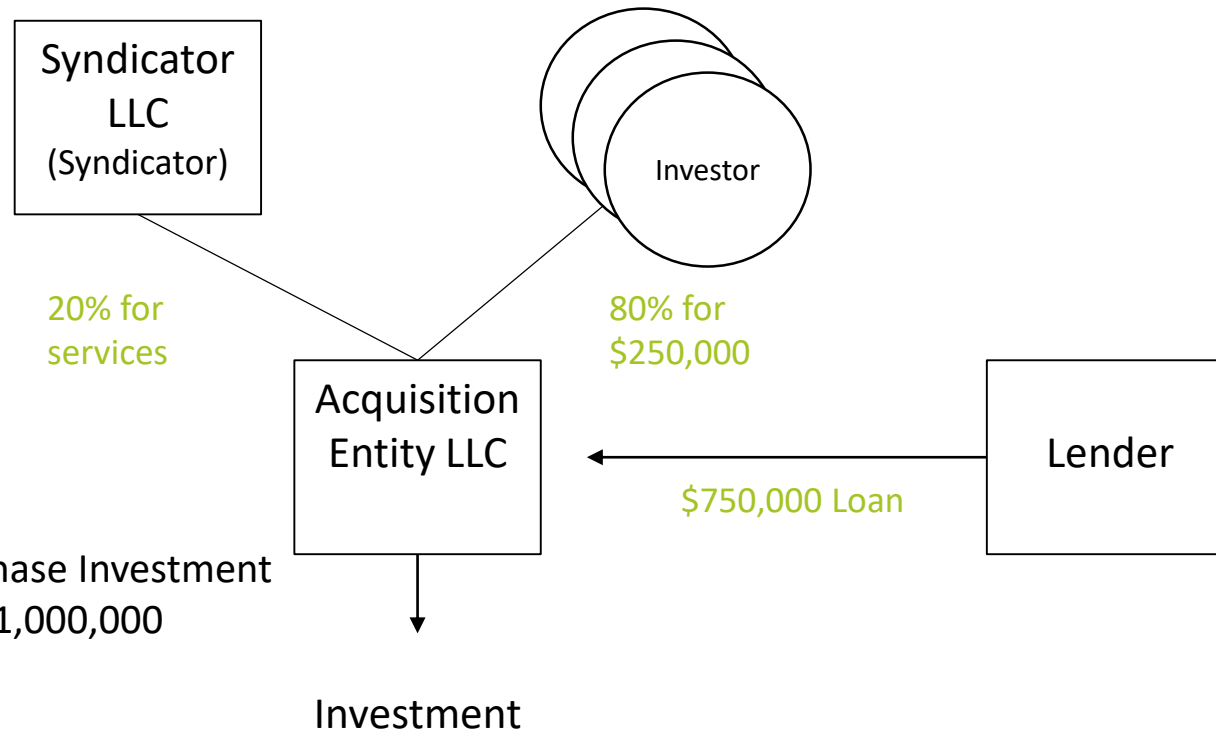
# Real Estate Syndication Overview

## Putting It All Together

### Services

- Find Investment
- Enter into PSA
- Assign PSA
- Raise Money
- Manage Investment

- Purchase Investment for \$1,000,000



# Syndication Phases

## ➤ Syndication Phases

1. Formation
2. Fundraising
3. Prospecting
4. Acquisition
5. Operations
6. Reposition
7. Exit

# 1. Formation

- Type of syndication (Single property or fund)
- What to syndicate (multifamily, office, land, retail, other...)
- Line up Service Providers
- Become Expert (or hire experts) in Syndication Phases
- Form Syndicator Entity



# 1. Formation - Partial List of Documents

- Syndicator LLC and Acquisition Entity LLC
  - Articles of Organization
  - Operating Agreements
  - Tax Id
  - Bank account
  - Accounting records

## 2. Fundraising



- Equity
  - Security subject to SEC rules
  - Marketing
    - Friends, business associates, relatives
    - Educational Presentations
  
- Loan
  - How much leverage?
  - Terms
  - Guarantee
  - Security subject to SEC rules?

## 2. Fundraising – Partial List of Documents

- Advertisements
- Marketing Documents
- Letters to Prospective Investors

## 3. Prospecting

- Select asset group to specialize – “niche”
- Develop criteria for selecting location and specific properties
- Develop financial model to analyze options
- Where to look for deals in your niche
  - Real Estate Brokers
  - Off Market Deals
    - Direct market campaign
    - Call
    - Join Landlord Association
    - Join Meetup Groups
    - Network with others (e.g., attorneys, financial planners, etc...)





## 4. Acquisition



- Purchase and Sale Agreement
- Perform Due Diligence
- Apply for Bank Loan
- Assign Offer to Acquisition Entity
- Contact Prospective Investors
- Send “Investment Package”
- Receive Investor Funds
- Close on Purchase

## 4. Acquisition - Partial List of Documents

- Letter of Intent
- Purchase and Sale Agreement
- Assignment Agreement
- Escrow Agreement
- Loan Documents
- Due Diligence Documents (Surveys, Environmental Reports, Title Insurance, etc..)

## 4. Acquisition - Partial List of Documents

- Letters to Prospective Investors
- Investment Package
  - Investor Letter
  - Offering Circular
  - Exhibit A: Confidential Investment Offering
  - Exhibit B: Commercial Asset Management Services Agreement
  - Exhibit C: Operating Agreement for Acquisition Entity
  - Exhibit D: Subscription Agreement
  - Exhibit E: Proof of accredited investor status
  - Exhibit F: Representations and Warranties of Investors
  - Exhibit G: Investment Funding Provisions
  - Direct Deposit Form
  - Privacy Policy

## 5. Operations

- Property Management
  - Locate tenants
  - Hire and supervise maintenance
  - Collect rents
  - Maintain tenant relations
- Asset Management
  - Monitor property value
  - Take action to keep property at top revenue producing level
- Investor Relations
  - Send reports
  - Send distribution checks



## 5. Operations - Partial List of Documents

- Management Contract
- Rental Agreement
- Service Contracts
- Agreements with Suppliers
- Accounting Records
- Tax Returns
- Insurance Contracts
- Investor Summaries and Periodic Distributions

## 6. Reposition



- Improvements Can Increase NOI
- Higher NOI Increases Property Value
  - Raise rents
  - Lower expenses
- How To Finance Improvements

## 7. Exit

- Hire Professionals (Broker and Attorney)
- Market Property For Sale
- Sell Property
  - Consider 1031 Exchange
- Wind up Acquisition Entity LLC



## Resources - Books

- Principles of Real Estate Syndication – Samuel Freshman
- It's a Whole New Business!: The how-to book of syndicated investment real estate - Gene Trowbridge Esq.



# QUESTIONS



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