

Deal Syndication

Video 4

Managing the Syndication

What's covered in this training?

Video 4: What's covered?

- Communication
- Financial Reporting
- Tax Reporting
- Distributions
- Tracking progress

Investor Communications

Communication

- Best practice: communicate everything, communicate often
- The more communication the better
- Emergency communications: All major issues on property should be communicated to investors immediately
- Regular communications on operations
 - Monthly for first 12 months
 - Quarterly after that

Financial Reporting

Financial Reporting

- Regular/scheduled reporting
 - Operating statement, balance sheet, and rent roll; not general ledgers
 - If manager provides commentary, send that too
 - Provide your own asset manager's commentary (example provided)
 - Monthly for first 12 months, then quarterly
- Annual financial statements prepared by accountant at year end every year

Tax Reporting

Annual Tax Reporting:

- Partners in RE deals get form K-1 to report partnership income
- They include with their tax filings just like a W-2 or 1099
- Have prepared by accounting firm, using annual operating statement provided by manager
- Get accountants started as soon as possible each year so you can provide to investors by March 15 at latest

Distributions

Making investor distributions

- Generally, it's done on a quarterly basis to smooth cash flows
- Speak with manager about available cash after known expenses and necessary reserves
- Have manager issue checks/wires directly to investors from operating account (example provided)
- First three quarters: ensure adequate cash on hand by distributing only $\frac{1}{4}$ of annual preferred return amount
- At year-end, distribute remaining $\frac{1}{4}$ of preferred return, sponsor participation, and distribution split after sponsor participation
- Accountants will track, but you should, too in a spreadsheet, so you can calculate cash on cash returns, arrears, etc.

Tracking Progress

Best practice:

- Each year, track your actual progress against your underwriting
- Report to investors for full transparency
- Also good for refining your underwriting process

What's Up Next?

Video 5: Tax issues for syndicators

- Pass-through of tax benefits
- Implications for 1031 exchanges
- “Real estate professionals”
- Carried interests