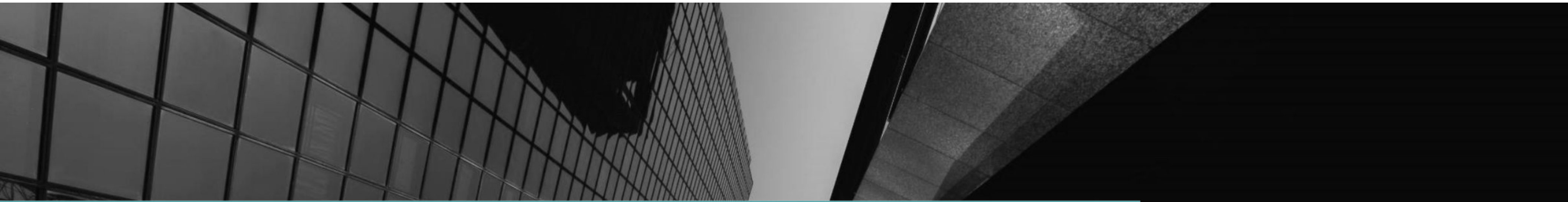


Key Principal in Non-Recourse Loan

Secure High Returns as a Key Principal on a Non-Recourse Commercial Real Estate Loan

The Problem: Limitations of Traditional Investment Options

Why be a KP?

- Traditional investment options offer low yields.
- Stock market volatility creates uncertainty.
- Stocks pay dividends, but these can be small and inconsistent.
- Tax burden of traditional investments.
- Inflation erodes the purchasing power of your money.

The Solution:
Act as a Key Principal (KP) on a Non-Recourse Commercial Real Estate Loan

What is a KP?

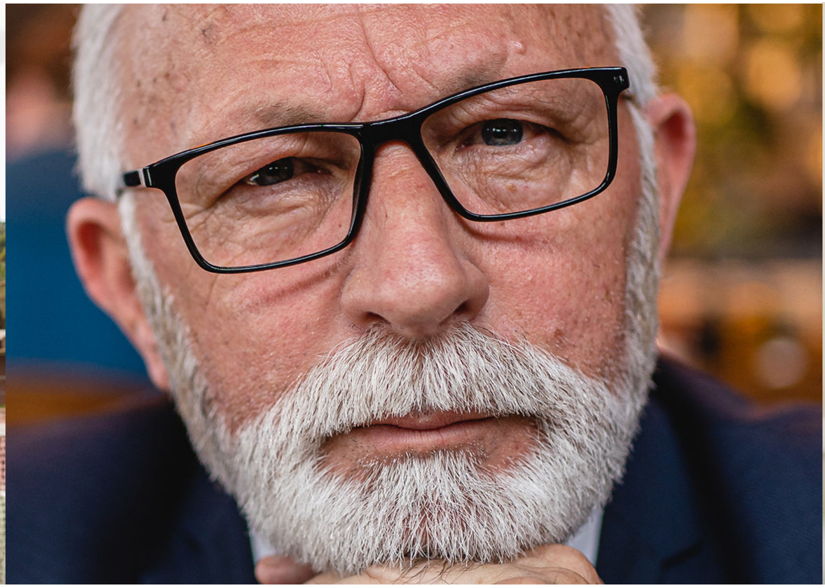
A Key Principal is generally a high-net-worth individual who helps to secure a loan.

Key Principals (KPs) can help real estate investment deal sponsors (GP) qualify for loans in exchange for a fee or an equity interest in a real estate investment project.

They do this by “contributing” their strong financial record and experience, and in some case also acting in a consultative capacity.

Some KPs want to invest in Real Estate but their other obligations do not permit the time to do so independently.

Examples of KPs: Athletes, Entertainers, Business Professionals, Medical Practitioners, etc.



How It Works:
Your Role as Key Principal

KPs Can Offer The Following:

- **Provide the financial metrics required to qualify for the project loan. Generally, metrics are net worth equal to or greater than the loan amount and liquid assets 10% of the loan amount.**
- Partner with the deal sponsor to identify and evaluate potential deals.
- Consult with the deal sponsor on deal leading and deal performance.
- Provide high level contacts to assist the deal sponsor.

Does a Key Principal Contribute Money?
Maybe

KPs May or May Not Invest Money:

- The primary contribution and purpose of the KP is to provide the financial metrics required to qualify for the project loan.
- The KP at his or her preference may contribute money as part of the deal sponsor (GP) team or as part of the deal investor (LP) group.
- There is no requirement that the KP make a cash injection in the project.

How Does a Key Principal Benefit?

Let Me Count The Ways

Benefits of Being a KP:

The KP partners with the deal sponsor (GP), typically receiving 10-20% of the GP's share of the project.

The KP will realize their share of GP benefits of the real estate project, such as:

1. Passive Income: Rental properties provide a steady stream of income that can be reinvested or used to cover expenses.
2. Appreciation: Over time, property values tend to rise, offering the potential for significant capital gains when you sell.
3. Hedge Against Inflation: Real estate can act as a hedge against inflation, as property values often rise alongside inflation.
4. Tax Advantages: Real estate investors can benefit from various tax deductions, such as depreciation, mortgage interest, and property taxes.
5. Tangible Asset: Unlike stocks or bonds, real estate is a physical asset that you can control and manage.
6. Diversification: Real estate adds a different asset class to your portfolio, reducing overall risk.
7. Long-Term Investment: Real estate is a great long-term investment strategy for building wealth over time.

The KP realizes all these benefits while contributing $0 to the deal.

Are There Risks to the Key Principal?
Yes, But Very Limited

What are the Risks of Being a KP?:

Risk to the KP is tied to 2 primary factors.

1. **The type of loan funding the project.**

With all loans, there is the risk of default on the loan. However, the utilization of **Non-Recourse Loans**, the risk of penalty to the KP due to loan default is largely mitigated.

A **Non-Recourse Loan** is a loan where the borrower is not personally liable for repayment. This means that if the borrower defaults, the lender can only collect from the property itself, not from the borrower's other assets.

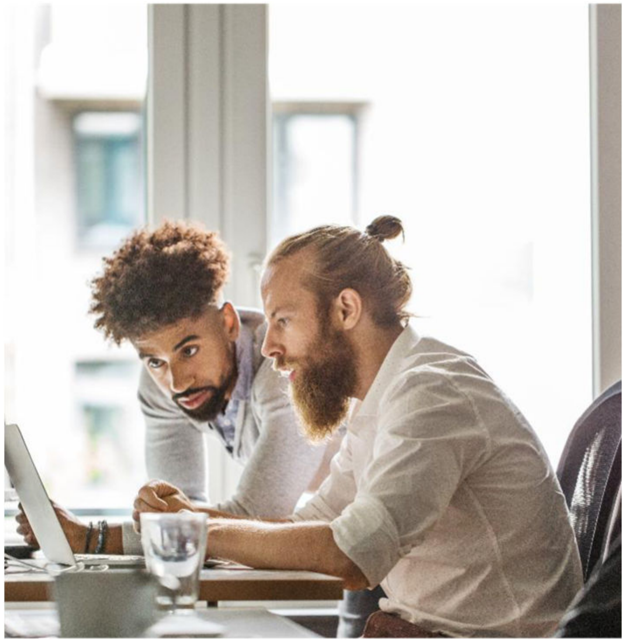
2. **The (bad) actions of the deal sponsor.**

The lender may mitigate against loss by implementing “Bad-Boy” Carve Outs as part of a Non-Recourse Loan.

A “bad boy” carve-out or carve-out guaranty often applies when the borrower or guarantor of the loan engages in serious violations - like misrepresentations of the property, fraud, theft, or voluntary destruction of real estate - that impact the value of the property or loan. This guarantee therefore gives the lender immediate financial recourse against such acts.

By the deal sponsor (GP) utilizing the expertise of the KP, experts referred by the KP, real estate investment mentors, attorneys, accountants and other professionals, the risk to the KP will be minimized and mitigated.

Conclusion



Key Principal (KP) role offers a unique investment opportunity in commercial real estate.

KPs provide financial metrics (net worth equal to or greater than the loan amount and liquid assets 10% of the loan amount) and expertise to help secure non-recourse loans.

Benefits include:

- Passive income potential
- Property appreciation
- Inflation hedge
- Tax advantages
- Portfolio diversification

KPs can earn 10-20% of the General Partner's (GP) share without capital investment.

Risks are limited due to non-recourse nature of the loan.

"Bad Boy" carve-outs are the main risk factor, mitigated by proper deal management.

KPs can leverage their net worth and experience for potentially high returns.

This strategy allows for participation in real estate deals without traditional investment limitations.

Ideal for high-net-worth individuals seeking alternative investment opportunities.

Appendix

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