57 West Main Street, Suite 220, Babylon, New York 11702
T: 631.669.6300   F: 631.669.6333

Private Equity & Syndication

Many real estate investors are known to be dreamers. Dreaming of the possibilities, the fortune to be made and the building with their name on it. At some point those dreams inevitably turn to the "next level" and starting a real estate fund. So how do you know when it's time to go the private equity route?

Factors to Consider Prior to Starting a Fund. Keep in mind this is an over-simplified list, but you'll get the idea:

1. **How Much is Needed For Your Project**? If the amount of money you need for the project is not enough to offset the expense and potential liability of setting up a fund, then stop right here, it's probably not a good idea. At what level does it become worthwhile? As of the time of this writing—typically at $5 million it starts to make sense.

2. **How Much Do You Have Available in Your Private Network**? Have you tapped out your "friends and family" yet? This is how many of the bigger players in private equity got started. Working out the kinks in your strategy with (the much more forgiving) friends and family network is a safer way to see if you have what it takes before you hit the street.

3. **How Much "Quality Product Are You Able To Buy**? A common problem is the inability to find enough great deals to get fully invested. You may have had several home run deals when you were using hard money to do one or two deals at a time, but now you have to employ several million dollars overnight. Investors expect their money to be working, but at the same time you can't afford to compromise on quality, otherwise your reputation will suffer. This business model is built on reputation.—if you can't deliver, you won't last.

4. **Do You Have a Solid Track Record**? It's not enough that you've done it before with success. You need to be able to demonstrate a track record AND a proven process that can remain successful even after scaling up.

5. **Do You Have a Unique Proposition**? There's tons of funds out there. What makes yours special? Your unique proposition is the hook that will make you stand out to investors.

6. **Is There a Simpler Alternative**? Private equity and syndication is complex and costly. Don't forget that a fund is just a means to an end, not an end in and of itself. If there's an easier way to reach your goals, take that way and save the fund for another day.

Attorneys for landlords and active real estate investors.

LEASING & EVICTIONS

WHOLESALING & ASSIGNMENTS

FIX, FLIP & REDEVELOP

RESIDENTIAL BUY & HOLD

COMMERCIAL BUY & HOLD

COMMERCIAL DEVELOPMENT

PARTNERSHIPS & JOINT VENTURE

SYNDICATION

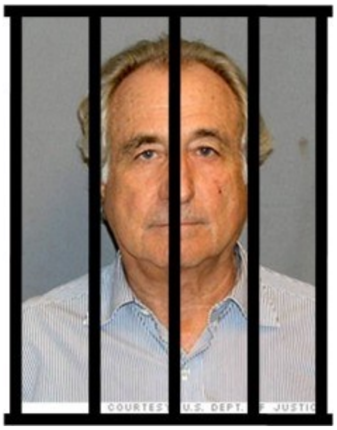
ASSET PROTECTION

REAL ESTATE LITIGATION

LAND USE & ZONING

"It takes 20 years to build a reputation and 5 minutes to ruin it. If you think about that, you'll do things differently."

-Warren Buffet, Billionaire Investor



How to Avoid Investing in a Ponzi Scheme

As an investor you may at some point have the opportunity to invest in a private equity fund. So how do you determine if the fund you're considering is the right place to put your money? Here's some factors to consider:

1. **What is the Fund's Structure?** This is about determining how the investor gets paid. Is the fund set up as a debt or equity investment? If it's a debt fund, then the investor most likely will get a fixed return and no participation in the upside, whereas an equity fund might be more risky, but offer a greater reward if things go well.

2. **What is the Fund's Investment Mandate?** This is usually in the fine print. It might be a real estate fund, but buried in the disclosures is often a right for the issuer to invest in things like money market funds or REIT's. You could do that yourself without paying the hefty management fees of a private fund, so make sure you understand what the fund's permitted investments include.

3. **Who Is the Issuer?** This is the most important factor. Fund managers typically have broad discretion in employing your capital. At a minimum, make sure the issuer has a proven track record, but better yet, make sure the issuer has skin in the game—meaning they're investing their own money side by side with you.

It's always a good idea to have an attorney with experience in private equity review the fund documents, and especially the disclosures. You may also want to run the financials by your accountant to see if they make sense. Nothing is foolproof, but doing your homework before investing is the best way to spot red flags. Most issuers are smart and honest business people, but it only takes one bad apple to bring financial ruin.

Mr. Clark takes his clients' personal well being seriously. More than handling the legal matter, he was attentive to how it all was affecting me personally, that made a difficult situation a whole lot easier to deal with. *- Barbara C., Freeport, NY (Commercial Landlord)*

More Info?

Interested in hearing more about us and if we might be a good fit you. Here's how:

1. Give us a call at the office at 631.669.6300 and schedule a call with Jim Clark.

2. Send me an email at jclark@clarkslaws.com.

CLARK'S LAWS PC focuses exclusively on representing landlords and active real estate investors. We help clients reach their real estate investment goals, and seasoned investors preserve and enhance their real estate assets.

James E. Clark, Esq. is the principal and founder of the firm.

www.clarkslaws.com

Jim Clark Family & Investment Update

Like most weekends in the spring, I often find myself running around to various grassy fields with my kids - soccer, lacrosse, etc. Standing at one of my kid's soccer games recently, one of the other parents had to leave the game for a few minutes to pick up their other child. The mother asked if I wouldn't mind keeping an eye on her son for a few minutes while she ran to the other game. "Sure, no problem," I said. It happens often. We're all maxed-out so the parents try to help each other if they can.

During the game, I found myself paying more attention to that child than I was my own kid, that was my responsibility for that moment, and so I wanted to make sure he was okay. Many of you know this feeling, and if you've been in a similar situation where you accepted responsibility for something for another and you took better care of it than your own, then you have a trait that could one day make you a great private equity issuer. It might sound like a stretch, but stay with me a minute on this.

Some of the most successful private equity firms were built on a reputation of taking care of their clients' money. Sure that means earning great returns when times are good, but it also means taking care of the investors first in times of crisis. Running a private equity fund, (or any other instance where you're investing other people's assets) people are trusting you . Your money might be invested along side there's, but if your natural inclination is to take care of your investors' money first, you will find that other investors will flock to you.

-Jim Clark