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LEGALLY SPEAKING

THE KALISER & ASSOCIATES NEWSLETTER

The goal of the Kaliser & Associates Newsletter is to communicate and educate legal topics that pertain to your everyday businesses.

Kaliser & Associates PC is synonymous with legal talent, dedication, success and practical experience. Our lawyers and staff are knowledgeable, client service-oriented, experienced business entrepreneurs who have a hands-on and flexible approach to meeting your legal needs.

We pride ourselves on our work product, work ethic and responsiveness; when you contact our office, you get a Team, not another lawyer. Consider our office an extension of your team. We help you stay on track to timely complete your transaction.

INSIDE THIS ISSUE:

MERRILL L KALISER
Shareholder and Founder
Kaliser & Associates PC

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ACCREDITED INVESTORS

Recently, the SEC revised its definitions of what an **"Accredited Investor"** is. On the right, I have summarized the most applicable Accredited Investors:

Single Person - Must have made $200,000 or more each year in the prior two years and anticipates making the same or more in the current year; or

Married Persons - Must have made $300,000 or more each year in the prior two years and anticipates making the same or more in the current year; or

Spousal Equivalent – this falls under the "Married Persons" category of $300,000 or more per year; or

Net Worth – Single, married and/or spousal equivalent must have a combined new worth of $1,000,000 or more (excluding your homestead); or

Professionals – Anyone holding a Series 7, 65 and/or 82 license (in good standing); or

Limited Liability Companies – LLCs with $5,000,000 or more in assets (not specifically created for the fund it is investing in); or

RIAs & ERAs – Registered Investment Advisors and Exempt Investment Advisors (very similar to the Professionals); or

Family Offices – Family offices with $5,000,000 under management or more and their family clients.

There are some additional qualifications; however, those are most likely not applicable to the typical syndication under Reg D, 506(b) or (c).

As you know, the vast majority of multifamily and storage facility syndications raise capital by utilizing an exemption under Reg D, 506(b) or (c). Under Reg D, 506(b), the definition of an Accredited Investor is less significant to sponsors because Accredited Investors self-verify, therefore, there is no accreditation burden on the sponsors. However, 506(c) requires syndicators/sponsors to verify that an investor is an Accredited Investor as defined by the SEC. Kaliser & Associates strongly encourages its clients to utilize a third-party accreditation service for verification, unless you have a licensed mortgage broker on staff. The cost for verifying an Accredited Investor with a third-party service ranges from $45 to $85 per investor.

Under the right circumstances, a bridge loan can accomplish different goals for a potential borrower.

As cap rates continue to compress in many markets and capital becomes a challenge for some syndicators/sponsors, we are seeing more clients looking at bridge loans. Additionally, some clients turn to bridge loans for more “value-add” assets or because of timing issues.

Under the right circumstances, a bridge loan can accomplish different goals for a potential borrower. They can close under a tight timeline compared to traditional agency debt. Typically, syndicators/sponsors will time either their disposition of the asset or an agency replacement loan as the end of the term of the bridge loan. It’s important to look for a lender that has capital-market experience, knows agency financing and can execute in a short time frame.

BRIDGE LOANS

We are seeing bridge terms of three to five years with a couple of six-month to one-year extensions. While no short-term financing program is a universal fit for every borrower, there are certain situations that make bridge-to-agency financing a good solution.

What syndicators should be looking for in a bridge loan:

- **Flexibility on prepayment/yield maintenance**
- **Relatively quick close (45 days or less)**
- **Leverage should be comparable to agency leverage**
- **CapEx provided for in the leverage**

While bridge loans can be a viable option, they do come at a cost. You should expect higher out-of-pocket additional costs including origination fees in the one to two percent range. We strongly encourage you to seek expert advice from your “go to” brokers to help you determine if and which bridge loan is right for you.

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